Hua Medicine
華領醫藥

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2552

GLOBAL OFFERING

Joint Sponsors

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UBS

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

IMPORTANT

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

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**104,756,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**10,476,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**94,280,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$9.28 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.001 per Share**
Stock code	**:**	**2552**

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, September 7, 2018 (Hong Kong time) and, in any event, not later than Thursday, September 13, 2018 (Hong Kong time). The Offer price will be not more than HK$9.28 and is currently expected to be not less than HK$8.28 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, September 13, 2018 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$9.28 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$9.28.

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

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.huamedicine.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please see the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination."

August 31, 2018

EXPECTED TIMETABLE[1]

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2] . . . . . 11:30 a.m. on Wednesday, September 5, 2018

Application lists of the Hong Kong Public Offering open[3] . . . . . 11:45 a.m. on Wednesday, September 5, 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Wednesday, September 5, 2018

Latest time to give **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Wednesday, September 5, 2018

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Wednesday, September 5, 2018

Application lists of the Hong Kong Public Offering close . . . . . 12:00 noon on Wednesday, September 5, 2018

Expect Price Determination Date[5] . . . . . Friday, September 7, 2018

(1) Announcement of:

- the level of applications in the Hong Kong Public Offering;
- the indication of level of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.huamedicine.com** on or before. . . . . Thursday, September 13, 2018

(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.huamedicine.com** (see the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results") from . . . . . Thursday, September 13, 2018

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[5] and the Company's website at **www.huamedicine.com**[6] from . . . . . Thursday, September 13, 2018

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from. . . . . Thursday, September 13, 2018

Dispatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7] . . . . . Thursday, September 13, 2018

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before[8][9]. . . . . Thursday, September 13, 2018

Dealings in Shares on the Stock Exchange expected to commence on. . . . . Friday, September 14, 2018

Notes:

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

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

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 5, 2018, the application lists will not open on that day. Please see the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".

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

(5) The Price Determination Date is expected to be on or around Friday, September 7, 2018, and, in any event, not later than Thursday, September 13, 2018, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Thursday, September 13, 2018, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.

(6) The announcement will be available for viewing on the Stock Exchange's website at **www.hkexnews.hk**.

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

(8) **Share certificates are expected to be issued on Thursday, September 13, 2018, but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.**

(9) **e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications.**

You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. ***In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules.*** *There are unique challenges, risks and uncertainties associated with investing in companies such as ours. Your investment decisions should be made in light of these considerations.*

Overview

Hua Medicine is a China-based drug development company currently focused on developing a global first-in-class oral drug, Dorzagliatin or HMS5552, for the treatment of Type 2 diabetes. Dorzagliatin is a glucokinase activator, or GKA, designed to control the progressive degenerative nature of diabetes by restoring glucose homeostasis in Type 2 diabetics. By addressing the glucose sensing function of glucokinase, or GK, we believe Dorzagliatin has the potential to serve as a first-line standard of care therapy for the treatment of Type 2 diabetes, as a monotherapy, and as a cornerstone therapy when taken in combination with currently approved anti-diabetic drugs. Our Phase I and II trials demonstrated proof-of-concept, with participants showing clinically significant reductions in blood glucose and hemoglobin A1C, or HbA1c, levels, with increased β-cell function in the pancreas and decreased insulin resistance. In our 12-week, 258-patient Type 2 diabetes trial in China, Dorzagliatin demonstrated a 1.12% HbA1c reduction (0.81% as adjusted for placebo) in the 75 mg twice daily dosage group (the dosage we are using in our Phase III trials). 44.9% of the patients in this group were able to achieve glycemic control (as measured by HbA1c levels below 7.0% at week 12) and 75.0% were able to reduce their HbA1c baseline levels by greater than 10% by week 12. In addition, 35.4% of these patients achieved a composite endpoint based upon the following three separate clinical endpoints: (i) glycemic control of HbA1c levels below 7.0%; (ii) no weight gain; and (iii) no hypoglycemia (dangerously low blood glucose levels). The effect of restoring glucose homeostasis is evident from the results of our Phase II trial, where a relatively high percentage of patients (35.4%) achieved the composite endpoint, and further supported by the high percentage of patients (75.0%) that achieved a reduction in HbA1c levels of greater than 10% from baseline, even though Dorzagliatin was administered only for 12 weeks. The principal purpose of our Phase II trial was to identify the optimum dosage to take into Phase III trials, and not to demonstrate long-term efficacy (12 weeks being too short a period to confirm long-term efficacy). These results, however, coupled with the continued effect of improved β-cell function and reduced insulin resistance at the end of week 13 (one week after our Phase II trial ended), represent a significant improvement, and provide a clearly differentiated disease-modifying effect profile, over currently available anti-diabetics drugs.

We are currently conducting two Phase III trials in China with Dorzagliatin both as a monotherapy and in combination with metformin (the most widely-used oral anti-diabetic drug, or OAD). We expect to complete patient enrollment for our Dorzagliatin Phase III trials in China by the first half of 2019, and to announce Phase III results in the second half of 2019. Upon achieving

positive Phase III results, we plan to submit a new drug application, or NDA, in China on a rolling basis with the CDA by 2019 for Dorzagliatin as a Category 1 drug, and achieve China Drug Administration, or CDA, approval by the end of 2020 or the first half of 2021. CDA approval is not legally required under Chinese regulations to advance to the next phase of clinical trials once the initial clinical trial application is approved. We have actively reported to, and consulted with, the CDA about our clinical trial results, and sought their agreement on the principal efficacy and safety endpoints before initiating each phase of our clinical trials, which is consistent with prior and current CDA requirements. As one of our Phase III trials is evaluating the efficacy of Dorzagliatin as monotherapy treatment for drug-naive Type 2 diabetics, it would be *de facto* a first-line therapy in China, if approved by the CDA. Similarly, our other Phase III trial is evaluating the efficacy of Dorzagliatin in combination with metformin in Type 2 diabetics. Given that metformin is already one of the first-line treatments prescribed in China by the Chinese Medical Association, Dorzagliatin would be available as an add-on therapy in China for Type 2 diabetics who are taking or have taken metformin (the currently preferred first-line treatment in China), if approved by the CDA. We also plan to partner with international pharmaceutical companies to make our drug available to patients outside of China.

According to Frost & Sullivan, in 2017, there were 453 million diabetics globally, and approximately 95% of diabetics, or 435 million individuals, had Type 2 diabetes. The total number of Type 2 diabetics is expected to grow to 561 million by 2028. China currently has the largest population of Type 2 diabetics, with 120 million individuals in 2017. In addition, Frost & Sullivan estimates that 49.6% of the Type 2 diabetics in China are undiagnosed as of 2018, but that that number will decrease to 17.8% by 2028. Frost & Sullivan projects that the China anti-diabetics market will grow from RMB51.2 billion in 2017 to RMB173.9 billion by 2028, representing a compound annual growth rate, or CAGR, of 11.8%. Currently approved diabetes therapies cannot effectively control the progression of diabetics into more advanced stages of the disease, which then leads to the many complications associated with severe diabetes, such as loss of vision, peripheral neuropathy, impaired kidney function, cardiovascular disease, and stroke. According to Frost & Sullivan, the total global costs associated with diabetes was US$850 billion in 2017. We believe these unfortunate statistics provide a very compelling case for Dorzagliatin's market opportunity.

The classic hallmarks of Type 2 diabetes are (i) the progressive destruction, or functional impairment, of the β-cells, which are located in the pancreas and are responsible for the production of insulin and (ii) the body's increasing resistance, or de-sensitivity, to insulin. Currently approved Type 2 diabetes drugs focus on lowering elevated blood glucose levels, but fail to address the underlying cause of the disease, which is a failure to maintain normal blood glucose levels within an acceptable range, or glucose homeostasis.

In 2016, we completed a Phase II proof-of-concept trial in China, in which Dorzagliatin demonstrated efficacy as a monotherapy in controlling blood glucose levels while exhibiting a favorable safety and tolerability profile. Our Phase I and Phase II trials demonstrated not only favorable and predictable pharmacokinetic and pharmacodynamic (PK/PD) properties, allowing us to define the optimum dosage for our Phase III trials, but they also indicated that Dorzagliatin is well-tolerated with minimal side effects, and that it effectively manages glucose levels without driving patients into hypoglycemia. Our Phase I and II trials demonstrated the potential disease modifying effect of Dorzagliatin, with participants that received Dorzagliatin showing a positive improvement in

the two hallmarks of Type 2 diabetes: an increase in β-cell function (as measured by both an early-phase insulinogenic index and a disposition index, or DI), and a decrease in insulin resistance (as measured by a homeostasis model assessing insulin resistance, or HOMA-IR), both while receiving Dorzagliatin in the course of the trial and for a period of one week after withdrawal of Dorzagliatin at the end of the trial. These results suggest that Dorzagliatin repairs the impaired glucose sensor function and addresses one of the primary underlying causes of Type 2 diabetes. Our Phase II trial results as well as some of our Phase I trial results were presented at the American Diabetes Association annual meetings in 2014, 2015, 2016, 2017 and 2018 and the Phase II results were also published in *The Lancet Diabetes and Endocrinology* (the "Lancet") on May 4, 2018. The Lancet's Impact Factor (a measure of an academic journal's yearly average number of citations that serves as a proxy for relative importance of a journal in its field) of 19.742® ranks it the number one clinical research journal of diabetes and endocrinology.

We acquired our global rights to Dorzagliatin as an early stage drug candidate in 2011 from F. Hoffman — La Roche Ltd., or Roche. Dorzagliatin is a fourth generation GKA designed to address specific flaws in Roche's second-generation GKA, Piragliatin. See "Business—Current Type 2 Diabetes Treatments and Dorzagliatin—Current Type 2 Diabetes Treatments." Our founder, Dr. Li Chen, previously served as the Chief Scientific Officer at Roche's R&D Center in China, and has over this period of time assembled a team at Hua Medicine of 90 individuals, including 63 scientists (as of June 30, 2018) with extensive experience in global pharmaceutical research and development. Our team is highly effective and experienced in the process of managing global contract research organizations (CROs), clinical site management operators (SMOs), and contract manufacturing organizations (CMOs), overseeing clinical trial staff that includes scientific and medical experts from vendors and collaboration partners globally to advance our research and development efforts. We also benefit from our senior advisor, Dr. Franz Matschinsky, who was instrumental in discovering the central role of GK in glucose homeostasis, as well as our portfolio advisory board, whose members include former senior executives of international pharmaceutical companies and professors from leading educational institutions in the life sciences sector and our key opinion leaders, or KOLs, in China who serve on our clinical development steering committee.

Our Pipeline

In addition to our ongoing Phase III clinical trials (Dorzagliatin as a monotherapy and in combination with metformin), our product pipeline includes evaluating the combination of Dorzagliatin with other approved Type 2 diabetes treatments. In the second half of 2018, we plan to commence clinical trials for Dorzagliatin in combination with dipeptidyl peptidase-4, or DPP-4, inhibitors and sodium-glucose linked transporter-2, or SGLT-2, inhibitors. In the second half of 2019, we plan to launch clinical trials in combination with insulin and glucagon-like peptide-1, or GLP-1, agonists.

We are also developing mGLUR5, a potential novel drug candidate for the treatment of Parkinson's disease levodopa-induced dyskinesia, or PD-LID. We plan to commence Phase I clinical trials for mGLUR5 in the second half of 2019.

Products	Pre-clinical	Phase I	Phase II	Phase III	Expected Timing to Complete Phase in Progress
Dorzagliatin (HMS5552)	Drug Naive Type 2 Diabetes				Second half of 2019
Dorzagliatin + Metformin	Type 2 Diabetes with Metformin Tolerance				Second half of 2019
Dorzagliatin + DPP-4	Obese Type 2 Diabetes				Second half of 2018
Dorzagliatin + SGLT-2	Metabolic Syndrome				Second half of 2018
Dorzagliatin + Insulin	Type 2 Diabetes Basal Insulin User				Second half of 2019
Dorzagliatin + GLP-1	Obese Type 2 Diabetes				Second half of 2019
mGLUR5	PD-LID				First half of 2019

Because various Type 2 diabetes drugs act in different ways to lower blood glucose levels, various drugs can be and, as the disease progresses, frequently are used in combination with, multiple Type 2 diabetes drugs. Unlike the United States where the clear first-line therapy for Type 2 diabetes is metformin, China has not adopted a single first-line therapy framework. Metformin is recommended as a primary treatment, and insulin secretagogues (such as sulfonylurea or a glinide) or an α-glucosidase inhibitor (acarbose) are used as the first line of treatments only when metformin is not tolerated, based upon the physician's assessment of the patient's specific profile. If glycemic control is not achieved, the patient proceeds to dual therapy involving a second oral drug or injectable drug such as a GLP-1 receptor agonist or insulin. In patients with very high blood glucose levels, physicians can even prescribe insulin as first-line therapy.

In time, and likely in conjunction with our efforts to offer personalized Type 2 diabetes care, we may offer fixed dose combination drugs, or FDC drugs. FDC drugs combine a specified dose of Dorzagliatin and another already approved diabetes drug in a single dosage form, designed to deliver an optimum combination therapy in a convenient oral formulation.

Investment Highlights

We believe our competitive strengths and investment highlights include:

- First-in-class drug that has achieved proof-of-concept in clinical studies, with the potential to disrupt the global diabetes market

- Highly experienced R&D team with extensive China and global pharmaceutical experience led by former Chief Scientific Officer of Roche China, Dr. Li Chen
- World-renowned senior advisor, portfolio advisory board and influential key opinion leaders
- Strong R&D platform and comprehensive clinical trials
- Support from well-known and sophisticated investors and business partners
- Significant market opportunity in China with government support for first-in-class drugs targeting chronic diseases

Our Strategy and Business Plan

We are committed to developing a first-in-class drug to address significant unmet medical needs globally, particularly when China presents a compelling market opportunity and we can leverage our strength there. Our strategies include:

- Advance and complete our Phase III trials for Dorzagliatin in China
- Advance our current pipeline and opportunistically expand our pipeline through in-licensing
- File an NDA for Dorzagliatin as a Category 1 drug and secure approval with the CDA to launch and commercialize Dorzagliatin in China
- Partner with established international pharmaceutical companies to develop our ex-China Dorzagliatin rights, launch Dorzagliatin as a standard of care for Type 2 diabetes treatment globally and seek "breakthrough therapy" designation in the United States in connection with achieving FDA approval. We do not intend to enter into any significant partnership agreements for Dorzagliatin before securing our 24-week results from our Phase III trials. We will select our partners, when appropriate, based on factors we deem relevant at the time which likely will include their track record, perceived strengths and weaknesses relative to other potential partners, likely negotiated commercial terms, ability to accelerate Dorzagliatin's regulatory approval and commercialization capabilities in the countries where they have significant operations

Central Role of Glucokinase in Glucose Homeostasis

Through an intricate physiological mechanism, referred to as glucose homeostasis, the healthy human body seeks to maintain steady-state blood glucose levels within an acceptable range or threshold of 4.0 mmol/liter to 5.6 mmol/liter. Similar to the way a building thermostat measures air temperature in a room and makes appropriate adjustments to maintain a steady comfortable temperature within a narrow range, the GK expressed in the pancreas and small intestine acts as a blood glucose sensor that triggers the release of signaling molecules such as insulin and other

hormones when glucose levels are high, and glucagon when glucose levels are low. See "Business—Diabetes Market Opportunity—The Role of GK Activation in Diabetes." Insulin facilitates the uptake of glucose from the bloodstream into cells, and glucagon facilitates the breakdown of glycogen and synthesis of glucose by the liver to be released into the blood stream. GK in the liver, or GK_L, does not act as a sensor but operates as a processor, increasing the conversion of glucose into glycogen in the liver when glucose levels are particularly high.

Thermostat in a Building		**Glucose Homeostasis in the Human Body**	
Messenger:	air temperature	Messenger:	glucose level
Set point:	22°C	Set point:	5 mmol/liter *
Threshold:	21-23°C	Threshold:	4-6 mmol/liter *
Controller:	Thermo Sensor (thermostat)	Controller:	Glucokinase in the pancreas and small intestine-glucose sensor
Effector:	Electronic signal	Effector:	insulin, glucagon, GLP-1
Operator:	Heater, Cooler, Ventilator	Operator:	hexokinase 1-3**, SGLT-2, GK_L

Source: Franz Matschinsky, Mol. and Cell Biology of Type 2 Diabetes and Its Complications, 1998, vol 4, pp 14-29

* A common measure of blood glucose levels is hemoglobin A1C, or HbA1c, which measures average glycated blood glucose levels for the three-months prior to testing. HbA1c levels for people without diabetes is between 4% and 5.6% (equivalent to 4-5.6 mmol/liter), for people with impaired glucose tolerance (IGT), or pre-diabetics, is between 5.74% and 6.4% (equivalent to 5.74 -6.4 mmol/liter) and for people with diabetes is 6.5% or higher (equivalent to 6.5 mmol/liter or higher).

** In addition to GK (also referred to as hexokinase type 4), Hexokinase types 1-3 play a role in the glucose homeostasis process. Unlike a properly functioning GK, which is only active at blood glucose levels over 5 mmols/liter, hexokinase types 1-3 are active in the presence of even small amounts of glucose in the bloodstream— providing as a bodily survival mechanism needed energy to the brain, muscles and other core bodily functions.

In this manner, GK plays the central role in the regulation of glucose homeostasis in the body. Any impairment in GK's function or a decrease in its expression in the pancreas, liver, or small intestines results in glucose sensor or glucose processor failure, leading to an overall rise in blood glucose levels, and ultimately loss of glucose homeostasis. Left untreated, these patients eventually develop diabetes and potentially complications associated with severe diabetes. Dorzagliatin, through a dual mechanism of action that simultaneously targets both the glucose-sensory function of GK in the pancreas and the glucose processor function of GK in the liver, is designed to help restore the glucose-sensing function of GK in glucose homeostasis, which, in turn, will potentially stop the functional deterioration of β-cells located in the pancreas responsible for generating insulin.

Dorzagliatin (HMS5552) — Our Novel Glucokinase Modulator

Dorzagliatin, or HMS5552, is an orally administered drug with a unique chemical structure that is designed to modulate the enzymatic activity of GK and improve its impaired glucose sensor function in Type 2 diabetics through a method known as positive allosteric modulation of GK, or GKA. Dorzagliatin works by simultaneously modulating the GK glucose sensor function in the pancreas and the GK processor function in the liver.

Dorzagliatin is the first GKA to advance to Phase III clinical trials globally. Although some prior GKAs evaluated in the clinic for the treatment of Type 2 diabetes demonstrated improved glycemic control, many of these GKAs showed insufficient efficacy, heightened risk of hypoglycemia, dyslipidemia (abnormal lipid levels) and liver toxicity. These liabilities have been correlated with the chemical structure of each prior GKA candidate, which in some cases led to the hyperstimulation of GK in the β-cells and hepatocytes in a glucose independent manner and/or the accumulation of lipids in the liver, or "fatty liver". This result is consistent with the hypothesis that modulation of GK must remain dependent on glucose levels in order for GK targeting drug candidates to emerge as viable therapies. Dorzagliatin has also demonstrated no drug-drug interaction in Phase I trials with metformin from a PK perspective, and also demonstrated a synergistic effect in lowering blood glucose without incidences of hypoglycemia. If approved, we believe Dorzagliatin could serve as a cornerstone therapy in diabetes care either as first-line therapy, or in combination with both OADs and injectable therapies.

Our Suppliers

Our service providers and suppliers are mainly CROs, CMOs and SMOs located in China, that provide us with a range of services such as drug discovery, development, clinical trial expertise, and clinical and commercial manufacturing. Among our top five suppliers during the Track Record Period, is WuXi AppTec Co., Ltd., which is a connected person of the Company. For details, please see the "Connected Transactions" section in this prospectus. We do not make material purchases of raw materials or equipment.

Our Shareholders

Our Shareholders include sophisticated investors, such as dedicated healthcare funds and biotech funds as well as established funds with a focus on investments in the biopharmaceutical sector. We do not have any controlling shareholder (as defined under the Listing Rules).

We completed a Series A-1 and A-2 financing of US$20.1 million (including conversion of convertible notes) in May 2014. We completed a Series B financing of US$25.0 million in January 2015. We completed a Series C financing of US$48.0 million in April 2016. We completed a combined Series D and Series E financing of US$117.4 million in March 2018.

Overview of our License Arrangements

Roche Research, Development and Commercialization Agreement

We have entered into a research, development and commercialization agreement with Hoffmann-La Roche Inc. and F. Hoffmann-La Roche Ltd., or collectively, Roche in December 2011, under which we obtained an exclusive license under certain patents and know-how owned by Roche to develop, make, commission, use, sell, offer for sale, export and import Roche's proprietary GKA, RO5305552 (now referred to as Dorzagliatin or HMS5552), worldwide in the licensed field of treatment of diabetes. The key U.S. patent licensed from Roche (U.S. 7,741,327) recites claims to compounds and pharmaceutical compositions thereof, and has an expiration date of March 9, 2029. We have the right to sublicense our rights to third parties.

Under our agreement with Roche, we are required to make various upfront, milestone and royalty payments. We made an initial US$2.0 million upfront payment in March 2012 with an additional US$1.0 million milestone payment in August 2017 (when we began Phase III clinical trials in China). We are required to make additional milestone payments upon NDA filing and approval in certain countries or regions which may total up to US$37.0 million. Following commercialization, we could be required to make additional milestone payments of up to US$55.0 million upon reaching certain yearly net sales thresholds. We are also obligated to make royalty payments at rates in the high single digits, unless reduced under certain circumstances, on the worldwide net sales (gross sales less certain expenses such as shipping costs, taxes, quantity discounts and allowances) of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed products, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. Except for disputes relating to patents, which would be litigated in the law courts of the relevant jurisdictions relating to such patents, any dispute under the Roche license that cannot be resolved within 60 days must be submitted to arbitration in New York under the Commercial Arbitration Rules of the American Arbitration Association.

Future Plans and Use of Proceeds

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$8.78 per Offer Share (being the mid-point of the proposed range of the Offer Price of HK$8.28 to HK$9.28 per Offer Share), we estimate that the net proceeds of the Global Offering received by us, after deducting the estimated underwriting fees and commissions and expenses payable by us in connection with the Global Offering, will be approximately HK$830.7 million. We currently intend to apply such net proceeds for the following purposes:

(a) approximately 39%, or HK$326.2 million, will be used for completing the Phase III trials of Dorzagliatin, for both monotherapy and combination trials with metformin;

(b) approximately 9%, or HK$73.8 million, will be used for further research and development involving Dorzagliatin, which will include combination trials;

(c) approximately 27%, or HK$221.2 million, will be used for the launch and commercialization of Dorzagliatin in China, including marketing, sales and manufacturing;

(d) approximately 11%, or HK$93.3 million, will be used for further research on mGLUR5, fixed dose combinations involving Dorzagliatin and personalized diabetes studies;

(e) approximately 4%, or HK$35.2 million, will be used for exploring additional licensing and partnership opportunities directly relating to diabetes or new therapeutic areas for which we believe there is a significant unmet medical need; and

(f) approximately 10%, or HK$81.0 million, will be used for our general corporate and working capital purposes.

Please see the section headed "Future Plans and Use of Proceeds" of this prospectus for details.

Dividends

We have never declared or paid regular cash dividends on our Shares. We currently expect to retain all future earnings for use in the research and advancement of our pipeline and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including the successful approval and commerialization of Dorzagliatin as well as our earnings, capital requirements, overall financial condition and contractual restrictions. As advised by our legal advisers on Cayman Islands Law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses, however, does not necessarily restrict us from declaring and paying dividends to our Shareholders, as under Cayman Islands law our Company may pay a dividend out of either our profit or our share premium account, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. However, we may never achieve profitability and declare a dividend. See "Risk Factors — Risk relating to our history of losses, operating results and this Global Offering — We have incurred, and expect to continue to incur for the foreseeable future, significant losses and may never achieve or maintain profitability."

Listing Expense

Our listing expenses mainly include underwriting fees and commissions, and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB77.8 million, of which RMB10.5 million was incurred in the three months ended March 31, 2018 and was recognized as listing expenses. For the remaining listing expenses of approximately RMB67.3 million, an estimated amount of RMB31.5 million is expected to be recognized as other expenses and the remaining amount of approximately RMB35.8 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

Offering Statistics[1]

	Based on the minimum Offer Price of HK$8.28 per Offer Share	Based on the maximum Offer Price of HK$9.28 per Offer Share
Market capitalization of our Shares upon completion of the Global Offering[2]	HK$8,710 million	HK$9,762 million
Unaudited pro forma adjusted consolidated net tangible asset value per Offer Share[3]	HK$1.92	HK$2.02

(1) All statistics in this table are presented based on the assumption that there will be no allotment or issuance of Shares, whether pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme.

(2) The calculation of market capitalization is based on 1,051,913,300 Shares including 934,913,300 Shares expected to be in issue and outstanding following the completion of the Global Offering and 117,000,000 Shares issued to HLYY Limited as the nominee to hold in trust for the Shares underlying the share options and awards granted under the Pre-IPO Share Incentive Scheme.

(3) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after the adjustments referred to in "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 934,913,300 Shares (including the conversion of Preferred Shares and Capitalization Issue and excluding Shares issued to HLYY Limited as the nominee to hold in trust for the Shares underlying the share options and awards granted under the Pre-IPO Share Incentive Scheme) expected to be in issue and outstanding immediately following the completion of the Global Offering.

Summary of Material Risk Factors

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

- All prior GKA research and development programs failed to advance past Phase II clinical trials.
- We are a pre-revenue biopharmaceutical company with a limited operating history and a history of losses. We must obtain required regulatory approvals before we can market Dorzagliatin and generate revenues.
- Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.
- Our future success depends substantially on the success in China of our only clinical drug candidate, Dorzagliatin. Our ongoing Phase III clinical trials for Dorzagliatin in China may not succeed, we may fail to successfully commercialize Dorzagliatin in China or experience significant delays in doing so, or we may not meet our goal of establishing Dorzagliatin as a first-line standard of care in China, any of which could materially harm our business.

- Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and failure can occur at any stage of clinical development. Because prior clinical trials are not necessarily predictive of future results, our Phase III studies of Dorzagliatin may be unsuccessful and we may not receive regulatory approval.

- Delays in enrollment and in the completion of our clinical trials could result in increased costs to us and delay or limit our ability to obtain regulatory approval for Dorzagliatin.

- The CDA NDA submission process for Dorzagliatin will be complicated and expensive and, even if our Phase III results are successful, we may be required to conduct additional studies as a condition to receiving or maintaining CDA approval.

- We rely on third-party CROs and SMOs to conduct, supervise, and monitor our clinical trials, and if those third parties perform in an unsatisfactory manner, it may harm our business.

- We intend to continue to rely on third-party CMOs to produce Dorzagliatin both for our Phase III clinical trials and for commercial production requirements for the foreseeable future. If we experience problems with our CMOs, the manufacturing of Dorzagliatin could be delayed and our efforts to market Dorzagliatin compromised.

- Dorzagliatin as a monotherapy or in combination with other Type 2 diabetes treatments may cause undesirable side effects that could delay or prevent its regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval, if any.

- Reimbursement may not be available for Dorzagliatin in China, which could diminish our sales or affect our profitability.

Summary of Key Financial Information

The summary historical financial information set forth below has 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 included in Appendix I to this prospectus, as well as the information in "Financial Information" included in this prospectus. Our financial information was prepared in accordance with IFRS.

Summary Data from Our Consolidated Statement of Profit and Loss

We have not commercialized any products and therefore did not recognize any revenue from sales of products during the two years ended December 31, 2016 and 2017 and the three month periods ended March 31, 2017 and 2018. We receive grants from governments in the form of cash subsidies

in support of our R&D programs. We recognized RMB0.6 million in 2016 and RMB10.5 million in 2017 in government grants into other income, respectively. The following table sets forth summary data of our consolidated statements of profit and loss for the periods indicated.

	Year ended December 31,		Three months ended March 31,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited*)*	*RMB'000*
Other income	1,030	11,706	224	6,110
Other gains and losses	10,295	(6,557)	(759)	(8,826)
Administrative expenses	(19,482)	(31,086)	(4,300)	(13,725)
Finance cost	(4,562)	(2,958)	—	(4,500)
Listing expenses	—	—	—	(10,515)
Research and development expenses	(75,272)	(125,337)	(10,461)	(43,342)
Loss on changes in fair value of financial liabilities at fair value through profit and loss ("FVTPL")	(274,417)	(126,456)	(138,704)	(247,524)
Loss before tax	(362,408)	(280,688)	(154,000)	(322,322)
Income tax expense	—	—	—	—
Loss and total comprehensive expense for the year/period	(362,408)	(280,688)	(154,000)	(322,322)

* The unaudited numbers for the three months ended March 31, 2017 were reviewed by Deloitte Touche Tohmatsu Certified Public Accountants.

Summary Data from Our Consolidated Cash Flow Statements

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

	Year ended December 31,		Three months ended March 31,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in) operating activities	(76,051)	(198,694)	(22,518)	(66,085)
Net cash (used in) from investing activities	(29,241)	14,475	30,207	(112)
Net cash from financing activities	151,259	172,904	117,973	738,470
Effect of exchange rate changes	9,325	(8,853)	(863)	(8,942)
Net increases (decreases) in cash and cash equivalents	55,292	(20,168)	124,799	663,331

Summary Data from our Consolidated Statements of Financial Position

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

	At December 31,		At March 31,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets	2,191	13,496	20,210
Current Assets	224,541	232,288	906,533
Current Liabilities	25,281	42,997	49,295
Net Current Assets	199,260	189,291	857,238
Non-current Liabilities	867,647	1,145,317	2,137,302
Net Liabilities	(666,196)	(942,530)	(1,259,854)

We expect to reverse our net liabilities position following completion of the Global Offering, since our Preferred Shares will convert to Shares and will no longer be recorded as liabilities.

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated:

	As of December 31,		As at March 31,
	2016	2017	2018
Current ratio[(1)]	8.88	5.40	18.39
Quick ratio[(2)]	8.88	5.40	18.39

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

(2) Quick ratio represents current assets less inventories divided by current liabilities as of the same date.

Recent Developments and No Material Adverse Change

We granted 2,961,027 (44,415,405 as adjusted after Capitalization Issue) share options and also granted 494,865 (7,422,975 as adjusted after Capitalization Issue) restricted shares in April 2018, 75,000 (1,125,000 as adjusted after Capitalization Issue) share options in May 2018, 350,000 (5,250,000 as adjusted after Capitalization Issue) share options in June 2018 and 568,342 (8,525,130 as adjusted after Capitalization Issue) share options in August 2018 under the Pre-IPO Share Incentive

Scheme, in each case to certain directors, management, employees, consultants and advisors of the Group. We have also issued 7,800,000 Shares (equivalent to 117,000,000 Shares after Capitalization Issue) to Nominee to hold in trust the Shares underlying the share options and awards granted under the Pre-IPO Share Incentive Scheme.

We expect our loss and total comprehensive expense for the year ending December 31, 2018 will reflect an increase from our loss and comprehensive expense for the year ended December 31, 2017, as a result of increased expenses relating to our new hires in connection with our Phase III clinical trials and to the Global Offering. In particular, we expect our R&D expenses to continue to increase in 2018 as we realize the full-year effects of new R&D hires in 2017, and as we increase staff to carry out our Phase III trials, and in anticipation of the NDA process and planned commercialization of Dorzagliatin. In particular, expenditures for our Phase III clinical trials are expected to be significantly higher than those for our Phase II trial, since our Phase III trials will involve approximately 1,200 patients and 110 clinical sites compared to 258 patients and 22 clinical sites for our Phase II trials. In addition, in anticipation of the Global Offering, we have made significant additions to our financial and accounting infrastructure. We also expect to make additional hires in 2018 related to the commercial launch of Dorzagliatin in corporate finance, market research and legal functions, and, upon CDA approval, including the hiring of a marketing executive in 2018 or 2019 and related sales personnel in the second half of 2019. We expect that our 2018 administrative expenses will include significant cash and non-cash, share-based compensation charges related to our employment arrangements with our senior management.

To date, we have raised US$210.5 million to fund our operations through the issuance of the convertible redeemable preferred shares and subsidiary's ordinary shares with written put options. These financial instruments will be converted into Shares upon the earlier of the closing of a initial public offering, or the date specified by written consent or agreement of majority holders of redeemable convertible preferred shares. The fair value of these financial instruments is established by using valuation techniques. These techniques include back-solve method and adopted equity allocation models. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as fair value of our Shares, possibilities under different scenarios such as an initial public offering, liquidation and redemption, risk free rate, volatility and discount for lack of marketability, require management estimates, which are inherently uncertain. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it could lead to a materially adverse change in the fair value of the financial liabilities at fair value through profit or loss. Although our convertible redeemable preferred shares will be converted to Shares upon the closing of the Global Offering, to the extent we needed to revalue the redeemable convertible preferred shares prior to the closing of the Global Offering, the change in fair value of financial liabilities at FVTPL would significantly affect our financial position and performance. Our aggregate loss on changes in fair value of financial liabilities at FVTPL during the Track Record Period was RMB648.4 million. The fair value change of RMB1,376 million in financial liabilities at FVTPL from RMB1,139 million as of December 31, 2017 to RMB3,259 million as of June 30, 2018 deducting Series D and E Preferred Shares financing of RMB744 million recorded as financial liabilities at FVTPL in the six months ended June 30, 2018 for new issues, was recorded as

loss on changes in fair value of financial liabilities at FVTPL in our consolidated income statements for the six months ended June 30, 2018. However, our convertible redeemable preferred shares will be automatically re-designated from liabilities to equity as a result of the automatic conversion into Shares upon Listing. Assuming all of our outstanding redeemable convertible preferred shares were converted into ordinary Shares as of June 30, 2018, RMB3,259 million financial liabilities at FVTPL would be reclassified as equity reserves on the consolidated balance sheet. Such reclassification would have no effect on the consolidated income statements on the conversion date.

Assuming all of our outstanding redeemable convertible preferred shares were converted into ordinary Shares as of December 31, 2018, financial liabilities at FVTPL would be reclassified as equity reserves on the consolidated balance sheet, and the fair value change in financial liabilities at FVTPL from RMB3,259 million as of June 30, 2018 to the fair value amount as of December 31, 2018, which largely depends on the underlying share price of our Company on that date, would be recorded as changes in fair value of financial liabilities at FVTPL in the consolidated income statements for the six months ended December 31, 2018. Such reclassification would have no effect on the consolidated income statements on the conversion date.

As of the date of this prospectus, no material adverse change has occurred with respect to the regulatory approvals we have received in relation to Dorzagliatin. Our Directors confirm 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 of this prospectus, and up to the date of this prospectus.

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

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on August 26, 2018 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issuance of 884,013,480 Shares to be made immediately before completion of the Global Offering upon the capitalization of sums standing to the credit of the share premium account of the Company referred to in "Statutory and General Information — Further Information about our Group — Resolutions of the Shareholders of the Company Passed on August 26, 2018" of Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, which may be an individual, joint individuals or a corporation

"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law"	the Companies Law (2018 Revision) 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)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Company" or "our Company"	Hua Medicine (華領醫藥), an exempt limited liability company incorporated under the laws of the Cayman Islands on November 10, 2009
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"GDP"	Gross Domestic Product
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange and as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** application form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider

"Group", "our Group", "our", "we", "us" or "Hua Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of the HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 10,476,000 Offer Shares initially being offered by us for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering") at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in section headed "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated August 30, 2018 relating to the Hong Kong Public Offering and entered into by, among others, the Company, Li Chen, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section headed "Underwriting"

"Hua HK"	Hua Medicine Technology (Hong Kong) Limited (華領醫藥技術(香港)有限公司), formerly known as Hua Medicine Limited (華醫藥有限公司), a limited liability company incorporated under the laws of Hong Kong on August 12, 2010, being a wholly-owned subsidiary of the Company
"Hua Shanghai"	Hua Medicine (Shanghai) Ltd. (華領醫藥技術(上海)有限公司), a limited liability company incorporated under the laws of PRC on June 22, 2011, being an indirect wholly-owned subsidiary of the Company
"IFRS"	International Financial Reporting Standards
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of the Company under the Listing Rules
"International Offer Shares"	the 94,280,000 Offer Shares initially being offered by us for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, and subject to reallocation as described in the section headed "Structure of the Global Offering"
"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong and pursuant to a public offering without listing in Japan) in offshore transactions in reliance on Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the U.S. Securities Act
"International Underwriters"	the underwriters of the International Offering listed in the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering and to be entered into on or around the Price Determination Date by, among others, the Company and the International Underwriters
"Joint Bookrunners"	Goldman Sachs (Asia) L.L.C., CLSA Limited and UBS AG Hong Kong Branch
"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., CLSA Limited and UBS AG Hong Kong Branch
"Joint Lead Managers"	Goldman Sachs (Asia) L.L.C., CLSA Limited, UBS AG Hong Kong Branch and Guotai Junan Securities (Hong Kong) Limited

"Joint Sponsors"	Goldman Sachs (Asia) L.L.C. and CLSA Capital Markets Limited
"Latest Practicable Date"	August 27, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on September 14, 2018, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, conditionally adopted on August 26, 2018 and will come into effect upon Listing (as amended from time to time)
"MOFCOM"	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
"MIIT"	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
"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)
"NRDL"	National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (國家基本醫療保險、工傷保險和生育保險藥品目錄)
"Offer Price"	the final HK dollar price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), which will be not more than HK$9.28 and not less than HK$8.28, to be determined as described in the section headed "Structure of the Global Offering — Pricing and Allocation"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares

"Over-allotment Option"	the option to be granted by us to the International Underwriters exercisable by the Stabilizing Manager on behalf of the International Underwriters under the International Underwriting Agreement, to require us to allot and issue up to 15,713,000 additional Shares at the Offer Price, representing up to 15% of the total number of Offer Shares initially available under the Global Offering to cover over-allocations in the International Offering, if any
"PBOC"	People's Bank of China (中國人民銀行)
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved and adopted by our Company on August 26, 2018 for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries; a summary of the principal terms is set forth in "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Option Scheme" of this prospectus
"PRC GAAP"	accounting principles generally accepted in the PRC
"PRC Legal Adviser"	Commerce & Finance Law Offices, the legal adviser to the Company as to PRC law
"Preferred Shares"	Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares
"Pre-IPO Investments"	the pre-IPO investment in the Company undertaken by the Pre-IPO Investors pursuant to the Pre-IPO Investment Agreements, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Investment Agreement(s)"	the Series A Preferred Share Purchase Agreement, Series B Preferred Share Purchase Agreement, Series C Preferred Share Purchase Agreement, Series D Preferred Share Purchase Agreement and Series E Preferred Share Purchase Agreement, and each a "Pre-IPO Investment Agreement"
"Pre-IPO Investors"	holders of the Preferred Shares

"Pre-IPO Share Incentive Scheme"	the share incentive scheme approved and adopted by our Company on March 25, 2013 as amended from time to time, for the benefit of any director, employee, adviser or consultant of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV of this prospectus
"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Friday, September 7, 2018 (Hong Kong time) and in any event no later than Thursday, September 13, 2018, on which the Offer Price is to be fixed by an agreement among the Company and the Joint Global Coordinators (on behalf of the Underwriters)
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Roche"	F. Hoffmann-La Roche AG, a Swiss multi-national healthcare company and its subsidiaries
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for 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 (國家市場監督管理總局)
"SCNPC"	The Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong

"Series A-1 Preferred Shares"	the 5,499,999 series A-1 preferred shares of the Company, par value US$0.001 per share, of which are held by the Series A Preferred Shareholders pursuant to, among other things, the Series A Preferred Share Purchase Agreement
"Series A-2 Preferred Shares"	the 20,916,409 series A-2 preferred shares of the Company, par value US$0.001 per share, of which are held by the Series A Preferred Shareholders pursuant to, among other things, the Series A Preferred Share Purchase Agreement
"Series A Preferred Shareholders"	the holder of the Series A-1 Preferred Shares and/or Series A-2 Preferred Shares
"Series A Preferred Share Purchase Agreement"	the series A preferred share purchase agreement dated May 16, 2014 between, among others, the Company and the Series A Preferred Shareholders
"Series B Preferred Shares"	the 7,142,857 series B preferred shares of the Company, par value US$0.001 per share, of which are held by the Series B Preferred Shareholders pursuant to, among other things, the Series B Preferred Share Purchase Agreement
"Series B Preferred Shareholders"	the holder of the Series B Preferred Shares
"Series B Preferred Share Purchase Agreement"	the series B preferred share purchase agreement dated January 6, 2015 between, among others, the Company and the Series B Preferred Shareholders
"Series C Preferred Shares"	the 4,769,780 series C-1 preferred shares, one series C-2 preferred share and one series C-3 preferred share of the Company, par value US$0.001 per share, of which are held by the Series C Preferred Shareholders pursuant to the Series C Preferred Share Purchase Agreement
"Series C Preferred Shareholders"	the holder of the Series C Preferred Shares
"Series C Preferred Share Purchase Agreement"	the series C preferred share purchase agreement dated April 11, 2016 between, among others, the Company and the Series C Preferred Shareholders and the series C options agreement dated April 8, 2016 between, among others, the Company and the Series C Preferred Shareholders
"Series D Preferred Shares"	the 4,498,788 series D-1 preferred shares and one series D-2 preferred share of the Company, par value US$0.001 per share, of which are held by the Series D Preferred Shareholders pursuant to, among other things, the Series D Preferred Share Purchase Agreement
"Series D Preferred Shareholders"	the holder of the Series D Preferred Shares

"Series D Preferred Share Purchase Agreement"	the series D preferred share subscription agreement dated January 22, 2018 between, among others, the Company and the Series D Preferred Shareholders
"Series E Preferred Shares"	the 5,064,833 series E preferred shares of the Company, par value US$0.001 per share, of which are held by the Series E Preferred Shareholders pursuant to, among other things, the Series E Preferred Share Purchase Agreement
"Series E Preferred Shareholders"	the holder of the Series E Preferred Shares
"Series E Preferred Share Purchase Agreement"	the series E preferred share subscription agreement dated March 12, 2018 between, among others, the Company and the Series E Preferred Shareholders
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$ 0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SIPO"	State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
"Track Record Period"	the two financial years ended December 31, 2016 and 2017 and the three months ended March 31, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States

"U.S. Exchange Act"	the United States Securities Exchange Act of 1934, as amended or supplemented from time to time and the rules and regulations promulgated thereunder
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

* *For identification purposes only*

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

"ADA"	The American Diabetes Association
"AE"	adverse event — in the context of clinical trials, any occurrence or worsening of an undesirable or unintended sign, symptom (including an abnormal laboratory finding), or disease temporally associated with the use of a drug candidate, whether or not related to such drug candidate. AEs can be classified as treatment emergent adverse events ("TEAEs") and as serious adverse events ("SAEs")
"ALT"	alanine aminotransferase test, a blood test used by doctors and scientists to check for potential liver damage. In healthy subjects, the enzyme alanine aminotransferase in blood is found in small amounts. In clinical trials, this test is commonly used to test if a drug candidate could cause liver damage — indicated by elevated enzyme levels. ALT is often conducted in conjunction with AST
"AMPK"	AMP-activated protein kinase, an enzyme that plays a role in cellular energy homeostasis
"API"	active pharmaceutical ingredient, the substance in a pharmaceutical drug that is biologically active
"AST"	aspartate aminotransferase test, a blood test used by doctors and scientists to check for liver damage. In healthy subjects, the enzyme aspartate aminotransferase in blood is found in small amounts. In clinical trials, this test is commonly used to test if a drug candidate could cause liver damage — indicated by elevated enzyme levels. AST is often conducted in conjunction with ALT
"AUC_{inf}"	area under the plasma concentration-time curve that reflects actual body exposure to the measured substance from the time of administration to infinity
"BMI"	body mass index
"CAGR"	compound annual growth rate
"CDA"	China Drug Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)

"CDE"	Center for Drug Evaluation (藥品評審中心), the Chinese government organization affiliated with CDA responsible for reviewing applications of pharmaceutical product registrations
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局), predecessor of CDA
"cGMP"	current Good Manufacturing Practice, standards that are adopted and enforced by the CDA and FDA to ensure the quality of pharmaceutical manufacturing
"C_{max}"	a standard measure in pharmacokinetics to measure the maximum concentration that a drug achieves in a specified test area of the body after the drug has been administered and before administration of a second dose
"CMO"	a contract manufacturing organization, which provides support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis
"composite endpoint"	in the context of clinical trials, an endpoint based on a combination of several clinical measurements rather than just one clinical measurement
"cornerstone therapy"	the foundation of a treatment regimen
"CRO"	a contract research organization, which provides support to the pharmaceutical industry in the form of research services outsourced on a contract basis
"CTA"	clinical trial application
"CYP3A"	an enzyme that functions to metabolize potentially toxic compounds, including drugs. The CDA and FDA recommend, and in certain instances, require, conducting drug-drug interaction trials with known CYP3A inhibitors in assessing any differences in systemic exposure resulting from drug candidates that could be used in combination with other drugs
"DI"	disposition index, a measurement of β-cell function
"DP"	drug product, pharmaceutical preparation
"DPP-4"	an enzyme that rapidly degrades GLP-1, thereby reducing the normal effect of GLP-1 in enhancing the secretion of insulin. DPP-4 inhibitors have been successfully developed as orally administered anti-diabetic therapies and are approved in both China and the United States, among other countries

"Dorzagliatin" or "HMS5552"	a glucokinase activator (also known as GKA) designed to control the progressive degenerative nature of diabetes by restoring glucose homeostasis in Type 2 diabetes patients, details of which are set out in the section headed "Business"
"FDA"	U.S. Food and Drug Administration
"FDC"	fixed dose combination
"FIH"	first in human
"first-in-class"	drugs that use a new and unique mechanism of action for treating a medical condition
"first-line therapy"	the first treatment option involving medicine, prescribed by physicians after diagnosis of a disease or disorder, and in some cases, such as diabetes, after life style management (without medicine) has failed to control or cure such disease or disorder
"FPG"	fasting plasma glucose level
"GCP"	good clinical practices standards
"GK"	glucokinase, an enzyme, also known as hexokinase-4, which is primarily prevalent in the pancreas, liver and small intestines. Under normal conditions, GK activity is sensitive to blood glucose levels and is activated only when blood glucose levels are high. When activated, GK facilitates the production of insulin from the β-cells in the pancreas. As a hexokinase, GK phosphorylates glucose to produce glucose-6-phospate, the first step in most glucose metabolism pathways
"GKA"	glucokinase activator, potential drug candidates that are designed to activate or modulate the activity of GK
"GK_L"	GK in the liver
"GK PAM"	positive allosteric modulator of GK
"GKRP"	glucokinase regulatory protein
"GLP"	good laboratory practices standards

"GLP-1"	glucagon-like peptide-1, a peptide hormone with the ability to decrease blood glucose levels in a glucose-dependent manner by enhancing the secretion of insulin. GLP-1 agonists have been successfully developed as injectable anti-diabetic therapies and are approved in both China and the United States, among other countries
"glucose homeostasis"	an intricate physiological process within the human body that regulates blood glucose levels within an acceptable range or threshold. This process is dependent on the balance of insulin (which normally facilitates uptake of glucose after meal), glucagon (which facilitates the production of glucose by the body when glucose levels are low), and other hormones
"glycemic control"	a medical term used in referring to blood glucose levels when discussing treatment of diabetes, and usually refers to HbA1c levels. According to the ADA *Standards of Medical Care in Diabetes — 2018*, a reasonable HbA1c goal for non-pregnant adults is less than 7% (53 mmol/mol)
"GMP"	good manufacturing practice standards
"GPR40"	free fatty acid receptor, which when activated, amplifies the amount of insulin secreted through various linked pathways only when glucose is present
"GPR119"	G-protein coupled receptor, which secretes insulin through the pancreas and incretins in the intestines in the presence of glucose
"GSIR"	glucose stimulated insulin release
"GSP"	good supply practice
"HbA1c" or "A1C"	hemoglobin A1C, a measure of average glycated blood glucose levels for the three months prior to testing
"Hexokinase"	an enzyme that phosphorylates glucose to produce glucose-6-phosphate, the first step in most glucose metabolism pathways. Hexokinases appear primarily in four different isoforms labeled 1 through 4. Hexokinase-1 through 3 are typically active independent of blood glucose levels and appear in many tissues throughout the body such as the brain, skeletal muscles and adipose tissues (or fat). In contrast, the activity of hexokinase-4, also known as GK, is dependent on blood glucose levels
"HOMA-IR"	homeostasis model assessment-insulin resistance, a model used to measure level of insulin resistance in diabetes patients

"hyperglycemia"	a condition of the human body when blood glucose levels are elevated, commonly associated with diabetes
"hypoglycemia"	a condition of the human body when blood glucose levels are low
"IDF"	International Diabetes Federation
"IGT"	impaired glucose tolerance, indicating subjects that are classified as pre-diabetic
"IND"	investigational new drug
"insulin"	a hormone produced by the β-cells in the pancreas that is critical in promoting the absorption of glucose from the blood into the liver, skeletal muscle and adipose cells (or fat), among other cells
"KOL"	key opinion leader, a person who has expert knowledge and influence in his or her field
"LIR"	low insulin resistance
"MAD"	multiple ascending dose
"MAH"	Market Authorized Holder, a certification granted by the CFDA, which allows certain license holders to use a qualified CMO to manufacture pharmaceutical products
"MED"	minimum effective dose
"mGLUR5"	metaotropic gulutamate receptor 5
"monotherapy"	the use of one type of treatment alone to treat a certain disease or condition
"NDA"	new drug application
"NGT"	normal glucose tolerance, indicating subjects that are not diabetic
"OAD"	oral anti-diabetic drug
"PD"	pharmacodynamics
"PD-LID"	Parkinson's disease levodopa-induced dyskinesia
"personalized medicine algorithm"	algorithm utilizing biomarkers to define specific patient populations, allowing for targeted treatment recommendations
"PI"	principal investigator

"PK"	pharmacokinetics
"placebo"	a substance or treatment with no active therapeutic effect, commonly used in clinical trials as the administered substance for the control group
"POM"	proof of mechanism
"PPAR"	nuclear receptor proteins which regulate the expression of genes that affect blood lipid metabolism, the generation of adipocytes (fat cells), and blood glucose control through the reduction of insulin resistance
"PPG"	post-prandial glucose level
"primary endpoint"	the main clinical event or result that is measured at a specified time of the study to see if the investigational treatment is effective
"R&D"	research and development
"SAD"	single ascending dose
"SAE"	serious adverse events — in the context of clinical trials, any undesirable medical event judged to be related to the investigational treatment that results in death, is life-threatening, requires hospitalization or causes prolongation of existing hospitalization, results in persistent or significant disability or incapacity, is a congenital anomaly or birth defect, or requires intervention to prevent permanent impairment or damage
"secretagogues"	secretagogues increase insulin secretion from the pancreas by stimulating the β-cells to secrete insulin. Secretagogues include sulfonylureas and glinides
"SGLT-2"	sodium-glucose linked transporter-2, a protein that facilitates glucose reabsorption in the kidney. SGLT-2 inhibitors have been successfully developed as orally administered anti-diabetic therapies and are approved in both China and the United States, among other countries
"SIGT"	severe impaired glucose tolerance
"SIGT_βΔ"	SIGT with diminished β-cell function
"SIR"	severe insulin resistance
"SIR_ βΔ"	SIR with diminished β-cell function
"SIR_SβΔ"	SIR with severely diminished β-cell function

"SMO"	clinical site management organization
"TEAE"	treatment-emergent adverse events — in the context of clinical trials, any undesirable event not present prior to the initiation of the investigational treatment or any event already present that worsens in either intensity or frequency following exposure to the treatment
"WHO"	the World Health Organization

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. 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 prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- the results of our Phase III clinical trials;
- our ability to commercialize Dorzagliatin;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the "Business" and "Financial Information" sections of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Any investment in our Shares involves various risks. You should carefully read and consider all the information set out in this prospectus and, in particular, the risks and uncertainties described below before deciding to make any investment in our Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our operations are conducted in China and are governed by a legal and regulatory environment in some respects which differs from those that prevail in other countries. 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 uncertainties, and you may lose part or all of your investment as a result.

Risks related to the nature of developing a globally first-in-class drug

All prior GKA research and development programs failed to advance past Phase II clinical trials.

Except for Dorzagliatin, no GKA has ever advanced past Phase II clinical trials successfully and advanced to Phase III clinical trials. The flaws discovered in past GKA candidates, include, among many other fundamental issues associated with each specific candidate's chemical structure, insufficient efficacy, heightened risk of hypoglycemia (dangerously low blood glucose levels), dyslipidemia (abnormal lipid levels) and/or liver toxicity. Although Dorzagliatin is the first GKA to advance to Phase III clinical trials, we cannot assure you that Dorzagliatin will successfully advance to CDA approval and, even upon obtaining CDA approval, that we could successfully commercialize Dorzagliatin, which could have a material adverse effect on our business, financial condition and results of operations.

Risks related to our limited operating history, our history of losses and our reliance on key executives

We are a pre-revenue biopharmaceutical company with a limited operating history and a history of losses. We must obtain required regulatory approvals before we can market Dorzagliatin and generate revenues.

We are a clinical stage biopharmaceutical company with a limited operating history and a history of losses (which are expected to continue for the foreseeable future). Drug development, including clinical studies, is a long and expensive process. Since our formation, we have focused our efforts and resources primarily on the development of a single product, Dorzagliatin, for introduction first in China. We are currently conducting ongoing Phase III clinical trials in China for Dorzagliatin, both as a monotherapy and in combination with metformin, which has been prescribed for over 60 years and is relatively inexpensive. We must successfully complete our clinical trials and obtain regulatory approval from the CDA and comparable regulatory bodies (including the FDA in the United States) before we can market any drug, as applicable, in China, the United States or any other jurisdiction. We have not yet obtained any regulatory approval for the sale of Dorzagliatin or any other product and consequently have not generated any revenues. As a result, any predictions about our future success, performance, or viability may not be as accurate as they could be if we had a longer operating history and/or approved products on the market.

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

We are highly dependent on the expertise of Dr. Li Chen, our founder and Chief Executive Officer, and other members of our management team. Although we have entered into employment letter agreements with our executive officers, each of them may terminate their employment with us at any time with thirty days' prior written notice. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified management, scientific, clinical, manufacturing, and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development, and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of qualified individuals with the breadth of skills and experience required to successfully develop and commercialize novel drugs. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. Failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

Risks related to the successful development, regulatory approval and commercialization of Dorzagliatin in China

Our future success depends substantially on the success in China of our only clinical drug candidate, Dorzagliatin.

Six out of seven of our pipeline products are based on only one clinical drug candidate, Dorzagliatin. We plan to reach the primary endpoint of our Phase III clinical trials in China by the middle of 2019 and submit a new drug application, or NDA, on the basis of such positive results in China in 2019. We may fail to meet this anticipated timeline, including due to the risks described elsewhere in these Risk Factors, and our clinical trials may be unsuccessful.

The only other product in our pipeline is mGLUR5, which is in a pre-clinical stage. As a result, if we fail to obtain approval for, or commercialize Dorzagliatin, it would have a material adverse effect on our business, financial condition and results of operations.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and failure can occur at any stage of clinical development.

Clinical testing is expensive and can take significant time to complete, and its outcome is inherently uncertain. For example, according to the U.S. FDA, Phase II trials typically involve between 100 and 300 participants, while Phase III trials typically involve between 1,000 and 3,000 participants. The smaller patient population in Phase II trials may not be sufficiently representative of the population at large, or even of the enlarged Phase III population. Our Phase II trial for

Dorzagliatin involved 258 patients, while we plan to enroll 1,200 patients in our Phase III trial. As a result, prior success in our Phase I and II clinical trials does not ensure that our Phase III clinical trials were properly designed to or will generate the same results or otherwise provide adequate and conclusive data to demonstrate the efficacy and safety of Dorzagliatin. In addition, our clinical trial results may not be comparable with those of other companies due to differences in trial design. Frequently, drug candidates that have shown promising results in early clinical trials have subsequently suffered significant setbacks in later clinical trials. If that were the case for Dorzagliatin, the CDA might require additional tests or we might be required to modify or curtail our development efforts. If the results of our current Phase III study of Dorzagliatin do not achieve the primary efficacy endpoint or demonstrate safety, the prospects for approval of Dorzagliatin as a monotherapy or combinational therapy for Type 2 diabetes would be materially and adversely affected. In addition, the CDA approval process is lengthy, time-consuming and inherently unpredictable. We cannot assure you that we would succeed in gaining CDA approval on a timely basis, or at all.

Delays in enrollment and in the completion of our clinical trials could result in increased costs to us and delay or limit our ability to obtain regulatory approval for Dorzagliatin.

Our ongoing Phase III trials for Dorzagliatin involve enrolling and randomizing approximately 1,200 patients at 110 clinical sites distributed broadly across China (generally with up to 20 clinical patients enrolled at each site) and attracting and retaining a sufficient number of principal investigators to administer such trials. As of April 30, 2018, we had enrolled and randomized 166 patients. Conducting clinical trials at that number of geographically disbursed sites requires significant coordination, training and supervision of our CROs, SMOs and our principal investigators by our employees (including members of our quality control team). A number of our principal investigators have limited or no experience in conducting clinical trials and complying with clinical protocols. Delays in the enrollment and completion of clinical trials could increase costs or limit or delay regulatory approvals. Our clinical trials and reports of data from these studies may not be completed on schedule, if at all. The commencement, enrollment and completion of the current Phase III study of Dorzagliatin may be delayed for a variety of reasons, including:

- inability to maintain a sufficient number of trial sites, many of which may already be engaged in other clinical trial programs, including trials for other Type 2 diabetes treatments or possibly other GKAs;

- difficulty recruiting and enrolling clinical patients for a variety of reasons, including willingness of subjects to undergo required study procedures, meeting the enrollment/screening criteria, and competition from other diabetes clinical trial programs;

- inability to maintain agreements on acceptable terms with CROs, SMOs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly;

- inability to retain clinical trial patients due to the treatment protocol, personal issues, side effects from the therapy or lack of efficacy; and

- withdrawal of clinical trial sites from our clinical trials as a result of changing standards of care or the ineligibility of a site to participate in our clinical trials or failure of our principal investigators in complying with clinical protocols.

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors including the perceptions of key opinion leaders (KOLs), principal investigators and patients as to the potential advantages of Dorzagliatin in relation to other available diabetes therapies, the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial and competing clinical trials. Many of these factors are outside our control and our efforts to drive enrollment at our clinical sites, including meetings with principal investigators to educate them on the unique attributes and benefits of Dorzagliatin relative to other Type 2 diabetes treatments, may not succeed.

We could also encounter delays if a clinical trial is suspended or terminated by us, by the ethical committees (or similar boards) of the institutions in which such trials are being conducted or by the CDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including:

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

- failure to pass inspection of the clinical trial operations or trial sites by the CDA or other regulatory authorities;

- failure of any CROs, SMOs or CMOs to comply with current Good Clinical Practice, or GCP, Good Laboratory Practice, or GLP, and current Good Manufacturing Practices, or cGMPs;

- unforeseen safety issues or any determination that a clinical trial presents unacceptable health risks;

- failure to demonstrate benefit from using Dorzagliatin;

- changes in the regulatory requirement and guidance; or

- lack of adequate funding to continue the clinical trial due to unforeseen costs resulting from enrollment delays, requirements to conduct additional trials and studies, increased expenses associated with the services of our CROs, SMOs and other third parties or other reasons.

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

We may fail to successfully commercialize Dorzagliatin in China, or we may experience significant delays in doing so. In particular, our management has no prior experience in launching a new drug product.

The successful commercialization of Dorzagliatin for the treatment of Type 2 diabetes in China is subject to numerous factors. These factors include:

- our lack of prior experience in commercializing a new drug;
- our ability to make arrangements with third-party contract manufacturing organizations, or CMOs, to establish and maintain sufficient quantities of clinical supplies of Dorzagliatin and commercial scale supplies of Dorzagliatin and manufacturing capabilities;
- establishing Dorzagliatin (as a monotherapy or combinational therapy) as an accepted, or preferably a first-line, Type 2 diabetes treatment option in China;
- obtaining the required marketing authorizations and launching commercial sales in China, including development of a China-focused sales team or distribution network to offer Dorzagliatin at launch, and
- appropriately pricing Dorzagliatin and obtaining reimbursement from private and governmental third-party payors.

If we fail to fulfill one or more of these requirements in a timely manner or at all, it could have a material adverse effect on our business, financial condition and results of operations.

CDA approval is not required to advance to the next phase of clinical trials once the initial clinical trial application is approved.

The CDE grants applicants a one-time approval for clinical trial applications for new drugs and does not require separate declarations, reviews or approvals for the various phases of clinical trials. Upon the completion of Phase I and Phase II clinical trials, the applicant must submit trial results and the clinical trial protocol for the next phase in a timely manner. However the applicant does not require specific CDA approval to proceed to the next phase. For a summary of our communications with the CFDA, see "Business—Material Communications with the CFDA."

We rely on third-party CROs and SMOs to conduct, supervise, and monitor our clinical trials, and if those third parties perform in an unsatisfactory manner, it may harm our business.

We rely on CROs and SMOs (who assist with various ministerial tasks at our various clinical trial sites) to ensure the proper and timely conduct of our clinical trials. While we have agreements governing their activities and our quality assurance teams work closely with and supervise their activities, we may have limited control over certain aspects of their activities. Nevertheless, we are responsible for ensuring that our clinical trials are conducted in accordance with the applicable protocol, legal, regulatory and scientific standards and our reliance on the CROs and SMOs does not relieve us of our regulatory responsibilities.

Whether acting directly or through our CROs and SMOs, we must comply with the CDA's good clinical practices requirements, or GCPs, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. The CDA enforces these GCPs through periodic inspections of trial sponsors, principal investigators, or PIs, and clinical trial sites. If we (including our CROs and SMOs) fail to comply with the applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the CDA may require us to perform additional clinical trials before approving any marketing applications. Upon inspection, the CDA or comparable government regulators may determine that our clinical trials did not comply with GCPs, whether or not the shortcomings are due to us or CROs or SMOs. In addition, our clinical trials conducted by third parties specify a sufficiently large number of test subjects to evaluate the safety and effectiveness of our drug candidate. Accordingly, if we (including our CROs and SMOs) fail to comply with these regulations or fail to recruit a sufficient number of patients, our clinical trials may be delayed or we may be required to repeat such clinical trials, which would increase our research and development costs and delay the regulatory approval process.

Our CROs and SMOs are not our employees, and we are not able to control whether or not they devote sufficient time and resources to our clinical trials. These CROs and SMOs may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials, or other drug development activities which could harm our competitive position. In addition, CROs could remove patients from our clinical trials for any reason and our CROs and SMOs could terminate their relationship with us. If our CROs and SMOs do not successfully carry out their contractual duties or obligations, fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements, or for any other reasons, our clinical trials may be extended, delayed or terminated, and we may incur additional costs and may not be able to obtain regulatory approval for, or successfully commercialize Dorzagliatin. As a result, our financial results and the commercial prospects for Dorzagliatin would be harmed, our costs could increase, and our ability to generate revenues could be delayed.

In addition, although we have established a qualified and experienced quality assurance team to oversee the overall quality management of our clinical trials, we cannot guarantee that our quality assurance team would be effective, which could result in an undesirable outcome of our clinical trials.

We face risks associated with our reliance on third-party CMOs.

We currently do not have the capability to manufacture Dorzagliatin or any other drug candidate. The CFDA granted us a Market Authorized Holder certification for Dorzagliatin, which allows us, as a drug license holder, to use qualified CMOs to meet our manufacturing needs. As part of the NDA process, we must demonstrate to the CDA that we have secured acceptable manufacturing capacity to begin marketing Dorzagliatin at the time the drug is approved. We presently rely primarily on Shanghai SynTheAll Pharmaceuticals Co., Ltd, a publicly traded subsidiary of WuXi AppTec Co., Ltd. and our connected person, for active pharmaceutical ingredients, or APIs, and Shanghai Desano Pharmaceuticals Co., Ltd. for oral formulations to manufacture and store sufficient quantities of Dorzagliatin for our clinical trials. If we can obtain favorable Phase III results, we expect in the first twelve months following commercialization that we would need to produce approximately five metric

tons of APIs, and at full commercialization, we expect we would need to produce approximately 530 metric tons of APIs per year. We are currently working to establish relationships with second-source CMOs for our manufacturing needs. However, before these other CMOs may commence production of APIs and oral formulations, these second-source CMOs must receive CDA approval, which we do not expect to happen during the initial stages of our commercialization. During these initial stages before these second-source CMOs receive CDA approvals, we will not have backup manufacturing facilities and if STA or Desano for whatever reason fail to deliver the required APIs or oral formulations, we may need to suspend shipments of Dorzagliatin. In addition, while we plan to establish our own manufacturing capability in the future, these plans may not succeed.

In addition, although we have exercised customary due diligence on our CMOs' ability to successfully manufacture sufficient quantities of Dorzagliatin to meet projected demand, our CMOs may be unable to establish manufacturing operations sufficient to meet that demand. In addition, the CDA-approved facilities used by our CMOs to manufacture Dorzagliatin are subject to ongoing regulation by the CDA pursuant to inspections that will be conducted after we submit our NDA to the CDA. Although our quality assurance team works closely with our CMOs, we do not control the manufacturing process of, and are completely dependent on, our CMOs for compliance with the regulatory requirements, known as cGMPs, for manufacture of both APIs and oral formulations. If our CMOs cannot successfully source supplies and manufacture material that conforms to our specifications and the regulatory requirements of the CDA or other authorities, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In addition, our control over the ability of our CMOs to maintain adequate quality control, quality assurance and qualified personnel is limited. If the CDA does not approve these facilities for the manufacture of Dorzagliatin or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities.

Additional risks relating to our dependence on CMOs include:

- the limited number of CMOs that could produce Dorzagliatin for us;
- inability to access production facilities on a timely basis;
- manufacturing and product quality issues related to scale-up of manufacturing;
- the inability to negotiate manufacturing agreements with our CMOs under commercially reasonable terms;
- termination or nonrenewal of manufacturing agreements with our CMOs in a manner or at a time that is costly or damaging to us;
- increased costs that are beyond our control; and
- the failure to deliver products under specified storage conditions and in a timely manner.

The CDA NDA submission process for Dorzagliatin will be complicated and expensive and, even if our Phase III results are successful, we may be required to conduct additional studies as a condition to receiving or maintaining CDA approval.

We expect to reach our primary endpoint for our Phase III clinical trials for Dorzagliatin as a monotherapy and in combination with metformin by the middle of 2019 and plan to submit a related NDA based on successful results, if applicable. Our China NDA application is anticipated to be the first time that an NDA with respect to a novel drug developed in China will be submitted to the CDA for approval, for which no other NDA globally has been submitted. The NDA application process is complicated and expensive and could involve additional trials and studies as a condition to receiving CDA approval. We may be unable to successfully and efficiently execute and complete our planned clinical trials or any required additional studies in a way that leads to NDA submission and approval of Dorzagliatin, and we require more time and incur greater costs than anticipated. Failure to complete, or delays in, our planned Phase III clinical trials would prevent or delay commercialization of Dorzagliatin.

We filed an IND application for Dorzagliatin as a Category 1 drug in China, which should result in a faster and more efficient path to approval by the CDA, however, we cannot assure you that our NDA for Dorzagliatin would be approved for Category 1 or maintain such status after approval. In addition, while we intend to try and expedite the approval process by taking advantage of a rolling application process, whereby we can make a preliminary filing that we later supplement with 52-week safety data, we cannot assure you that this would actually result in faster approval of our application.

Dorzagliatin as a monotherapy or in combination with other Type 2 diabetes treatments may cause undesirable side effects.

Dorzagliatin is designed to minimize or avoid known side effects often associated with other diabetes treatments (including previous GKA drug candidates developed by other pharmaceutical companies) such as hypoglycemia (dangerously low blood glucose levels) and dyslipidemia (abnormal levels of lipids in the blood). The results of Dorzagliatin's current Phase III trials or future clinical trials (including future studies of Dorzagliatin in combination with other approved Type 2 diabetes treatments) could reveal a high and unacceptable severity and prevalence of these or other side effects. Any side effects could adversely impact our ability to obtain regulatory approval in China (or the United States or other jurisdictions where we or our partners may seek to commercialize Dorzagliatin). For example, the CDA (or other comparable authorities such as the U.S. FDA) could order us to suspend or terminate the studies or to cease further development of or deny approval of the proposed drug. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

By their nature, clinical trials only assess a sample of the potential patient population. With a limited number of Type 2 diabetes patients being tested and a limited duration of exposure, side effects may only be uncovered when a significantly larger number of patients is exposed to the drug. If Dorzagliatin (including any combinational drug) receives regulatory approval in China or elsewhere and we, our partners or others identify undesirable side effects caused by the drug after such approval, a number of potentially significant negative consequences could result, including:

- the CDA may withdraw or limit their approval of Dorzagliatin (or any related combinational drug);
- the CDA may require the addition of labeling statements, such as a "boxed" warning or a contra-indication;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way Dorzagliatin (or any related combinational drug) is distributed or administered, conduct additional clinical trials or change the labeling of Dorzagliatin;
- the CDA may require a Risk Evaluation and Mitigation Strategy, or REMS (or analogous requirement), plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools;
- we may be subject to regulatory investigations and government enforcement actions;
- we may decide to remove Dorzagliatin (or any related combinational drug) from the marketplace;
- we could be sued and held liable for injury caused to individuals exposed to or taking Dorzagliatin (or any related combinational drug); and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of Dorzagliatin and could substantially increase the costs of commercializing Dorzagliatin and impact our ability to successfully commercialize Dorzagliatin and generate revenue.

If safety, efficacy, manufacturing or supply issues arise with any approved Type 2 diabetes drug that we use in combination with Dorzagliatin, we may be unable to market Dorzagliatin or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

In addition to developing Dorzagliatin as a monotherapy and in combination with metformin, beginning in the second half of 2018, we plan to begin developing Dorzagliatin in combination with

other Type 2 diabetes treatments. Our first two additional candidates will involve combining Dorzagliatin with DPP-4 and SGLT-2 (which show particular efficacy related to patient obesity and metabolic syndrome). However, we did not develop or obtain regulatory approval for, and we do not manufacture or sell, DPP-4, SGLT-2 or any other approved treatments Type 2 diabetes treatments such as metformin, insulin or GLP-1.

If the CDA (or the U.S. FDA or another regulatory agency) revokes its approval of any DPP-4, SGLT-2, insulin or GLP-1 treatments or another Type 2 diabetes drug we propose to use in combination with our Dorzagliatin, we will not be able to market the resulting combinational drug. If safety or efficacy issues arise with these or other approved Type 2 diabetes drugs that we seek to combine with Dorzagliatin in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any Dorzagliatin treatments or any other combinational drugs, we may not be able to complete any related clinical development on our current timeline or at all.

Even if Dorzagliatin were to receive regulatory approval for use in combination with any DPP-4, SGLT-2, insulin or GLP-1 treatments or another therapeutic, as applicable, we would continue to be subject to the risk that the CDA, FDA or another regulatory agency could revoke its approval of the combinational drug, or that safety, efficacy, manufacturing or supply issues could arise with one of these combinational therapies. This could result in Dorzagliatin being removed from the market or being less successful commercially.

In addition, our business strategy includes offering personalized medicine that takes into account a patient's specific biomarkers and tailoring a solution that includes other Type 2 diabetes treatments in combination with Dorzagliatin. Should any of these other Type 2 diabetes treatments experience the manufacturing or supply issues described above, it would have a material adverse effect on our ability to offer personalized medicine.

If Dorzagliatin receives CDA approval but does not achieve broad market acceptance in China, related sales revenues will be limited.

Dorzagliatin's commercial success will depend upon its acceptance among KOLs, physicians, healthcare payors, patients and others in the medical community in China. The degree of market acceptance of Dorzagliatin will depend on a number of factors, including:

- our ability to establish Dorzagliatin as an acceptable, or preferably first-line, standard of care for Type 2 diabetes either as a monotherapy or as a second-line therapy in combination with other approved Type 2 diabetes drugs (including metformin), with potentially beneficial side-effects such as weight loss and improvement of cholesterol profile;

- demonstrated clinical safety and efficacy compared to other approved Type 2 diabetes drugs;

- lack of significant adverse side effects;

- education, sales, marketing and distribution support;
- availability and degree of coverage and reimbursement from other third-party payors including the various levels of the PRC government and the National Reimbursement Drug List, or the NRDL, as well as government-imposed pricing restrictions and required discounts;
- timing of market introduction and perceived effectiveness of competitive products;
- cost-effectiveness;
- availability of alternative therapies at similar or lower cost, including generics (including metformin);
- limitations or warnings contained in a product's approved labeling;
- limitations in the approved indications for Dorzagliatin;
- adverse publicity about Dorzagliatin or any approved Type 2 diabetes drug combined with it or favorable publicity about competitive products;
- convenience and ease of administration of our products, including the willingness of patients to comply with a twice daily regimen of Dorzagliatin in addition to other anti-diabetic therapies they may already be on; and
- potential product liability claims.

If Dorzagliatin does not achieve an adequate level of acceptance by KOLs, physicians, healthcare payors, patients and others in the medical community, sufficient revenue may not be generated, and we may not become or remain profitable, especially as it is our sole product that is close to the commercialization phase. In addition, efforts to educate the medical community and third-party payors on the benefits of Dorzagliatin may require significant resources and may not succeed.

If we are unable to establish sales and marketing capabilities to sell Dorzagliatin in China (including through potential acquisitions or agreements with third-parties), we may be unable to generate any revenue.

We do not currently have an organization for the sales, marketing and distribution of pharmaceutical products and the cost of establishing and maintaining such an organization may exceed the cost-effectiveness of doing so. In order to market our approved drugs in China, we must build (organically or through one or more potential acquisitions) our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. Completed acquisitions may also expose us to potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, our inability to generate sufficient revenues to offset the costs, or expenses related to the acquisitions and potential loss of, or harm to, relationships with employees or customers as a result

of our integration of new businesses, any of which could significantly disrupt our ability to manage our business. If we are unable to establish adequate sales, marketing and distribution capabilities, we may not be able to generate product revenue and may not become profitable. We will be competing with many companies that currently have extensive and well-funded sales and marketing operations. Without an internal commercial organization or the support of a third party to perform sales and marketing functions, we may be unable to compete successfully against these more established companies.

Reimbursement may not be available for Dorzagliatin in China, which could diminish our sales or affect our profitability.

The regulations that govern pricing and reimbursement for pharmaceuticals vary widely from country to country. In China, the Ministry of Human Resources and Social Security of the PRC or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the PRC's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, the NRDL, or provincial or local medical insurance catalogues for the National Medical Insurance Program regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. These determinations are made based on a number of factors, including price and efficacy.

In February 2017, the Ministry of Human Resources and Social Security of the PRC released a new edition of the NRDL, or the 2017 NRDL. The 2017 NRDL expanded its scope by including an additional 339 drugs. In July 2017, the Ministry of Human Resources and Social Security of the PRC announced that the 2017 NRDL would be expanded to include an additional 36 innovative drugs. The 2017 NRDL reflected an emphasis on innovative drugs and drugs that treat cancer and other serious diseases. For instance, most of the innovative chemical drugs domestically approved and manufactured in China since 2010 have been included in the expanded 2017 NRDL. Products included in the NRDL are typically generic and essential drugs. Although the concept of including more innovative drugs was raised as early as in the 2009 NRDL, it is only recently that the PRC government has started to include more innovative drugs in the NRDL. As a result, if we were to successfully launch commercial sales of Dorzagliatin, but fail in our efforts to have Dorzagliatin included in the NRDL, or provincial or local medical insurance catalogues, our revenue from such sales may be dependent on self payment by patients, which may make Dorzagliatin less desirable. However, if the Ministry of Human Resources and Social Security of the PRC or any of its local counterparts accepts our application for the inclusion of Dorzagliatin in the NRDL or provincial or local medical insurance catalogues, which may increase the demand for our drug candidates, our potential revenue from the sales of Dorzagliatin may still decrease as a result of significantly lower prices we may be required to charge for Dorzagliatin to be included in the NRDL or provincial or local medical insurance catalogues.

Eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including licensing fees, research, development, manufacture, sale and distribution.

We face substantial competition, which may adversely affect our financial condition and our ability to successfully market or commercialize Dorzagliatin.

The development and commercialization of new drugs is highly competitive. We face competition with respect to Dorzagliatin, both from established Type 2 diabetes therapies and from a number of large pharmaceutical and biotechnology companies that are pursuing new Type 2 diabetes therapies (including GKAs). Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. Specifically, there are a large number of companies developing or marketing treatments for diabetes including many major pharmaceutical and biotechnology companies.

Many of our current and future competitors have or may have significantly greater financial resources and expertise in research and development, manufacturing, non-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing of approved drugs than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with CROs, CMOs and large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize Type 2 diabetes drugs that are safer, more effective, have fewer side effects, are more convenient or are less expensive than Dorzagliatin. Although we believe Dorzagliatin is currently the only GKA in Phase III clinical stage worldwide, our competitors may ultimately obtain CDA, FDA or other regulatory approval for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Additionally, technologies developed by our competitors may render our potential drug candidates uneconomical or obsolete, and we may not be successful in marketing our drug candidates against competitors.

Even if Dorzagliatin receives CDA approval, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense, and if we fail to comply with ongoing regulatory requirements or experience any unanticipated problems with Dorzagliatin, we may be subject to penalties.

If the CDA approves Dorzagliatin, we will be subject to extensive and ongoing regulatory requirements with respect to manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the drug. These requirements include submissions of safety and other post-marketing information and reports, registration, and continued compliance with cGMPs and GCPs. Any regulatory approvals that we receive for Dorzagliatin may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase IV studies for the surveillance and monitoring of the safety and efficacy of the drug.

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

- restrictions on the marketing or manufacturing of the drug, withdrawal of the drug from the market, or voluntary or mandatory drug recalls;
- fines, warning letters or holds on clinical trials;
- regulatory refusal to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of drug license approvals;
- drug seizure or detention, or refusal to permit the import or export of drugs; and
- injunctions or the imposition of civil, administrative or criminal penalties.

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. In addition, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of Dorzagliatin. If we are not able to maintain regulatory compliance, regulatory approval that has been obtained may be revoked and we may not achieve or sustain profitability.

The loss of our license to Dorzagliatin would have a material adverse effect on our business, financial condition and results of operations.

Under the terms of our license with Roche for Dorzagliatin, we have certain obligations including obligations to make certain royalty payments and to commercialize Dorzagliatin. However, in the event we breached the terms of our license for Dorzagliatin, Roche could seek to terminate the license. If our license for Dorzagliation was terminated, it would have a material adverse effect on our business, financial condition and results of operations. For more information related to our license for Dorzagliatin, see ″Business — Overview of our License Arrangements — Roche Research, Development and Commercialization Agreement.″

Risks related to the approval and commercialization of Dorzagliatin (including any combinational drug) outside of China

We will face additional challenges and expense in obtaining regulatory approval of Dorzagliatin from the U.S. FDA or comparable foreign regulatory authorities elsewhere, which could prevent or delay our ability to market Dorzagliatin outside of China.

We plan to find a partner to make our drugs available to patients outside of China. However, even if we obtain CDA approval to market Dorzagliatin (including any combinational drug) in China, or elsewhere outside of China, we or our partner must file an NDA with the U.S. FDA or with the comparable foreign regulatory authority elsewhere to obtain the requisite approval before locally marketing the drug. Obtaining regulatory approval in one country does not mean that regulatory

approval will be obtained in any other country. Approval processes vary among countries and can involve additional clinical trials and validation and additional administrative review periods. In particular, it is uncertain to what extent the FDA or such other comparable authority would accept data from our clinical trials conducted in China, which could require additional clinical trials be conducted outside of China. Current FDA requirements for novel diabetes drugs would require us to conduct large, lengthy and costly cardiovascular outcome trials. These additional clinical trials may be unsuccessful and conducting clinical trials outside of China could prove particularly challenging and expensive and could lead to significant delay. Any safety issues, product recalls or other incidents related to products approved and marketed in other jurisdictions may impact approval of those products by the FDA or other comparable foreign regulatory authorities.

To obtain required regulatory approvals and to commercialize Dorzagliatin outside of China, we plan to partner with international pharmaceutical companies and other collaboration partners, and our efforts to do so may fail which will adversely impact Dorzagliatin's commercial potential and our ability to generate revenues.

Obtaining requisite regulatory approvals and commercializing Dorzagliatin outside of China are subject to similar risks as are faced in China (as described elsewhere in these Risk Factors) and additional risks and challenges. These activities will require us to partner with international pharmaceutical companies and other collaboration partners, particularly when seeking regulatory approval in the United States. Our collaboration arrangements could take many different legal forms and could involve many different parties (including related service providers such as CROs, SMOs and CMOs) and geographies. We may be unable to identify appropriate collaboration partners or negotiate satisfactory commercial arrangements (including, as applicable, possible cost sharing arrangements, licensing, royalty or other fees, and geographic scope) on a timely basis or at all.

The U.S. FDA requires cardiovascular outcome trials for approval of Type 2 diabetes drugs, which may have a material adverse effect on our ability to find partners and market Dorzagliatin in the United States.

In 2008, the U.S. FDA published a guidance letter setting out certain requirements for its approval of Type 2 diabetes drugs. These requirements include long-term cardiovascular outcome trials, or CVOTs, after commercial launch of the newly approved drug. We intend to find partners to make Dorzagliatin available outside of China, and we would expect any future international partner with U.S. market rights to Dorzagliatin to undertake to initiate CVOT studies in accordance with U.S. FDA guidelines after they have received approval to commercialize Dorzagliatin in the United States. CVOTs are costly and risky, and could make it difficult to us to achieve regulatory approval in the United States and for us to find a partner to develop and market Dorzagliatin in the United States, both of which will limit the potential of our business.

Any efforts to accelerate the approval of Dorzagliatin by the U.S. FDA may not succeed.

To facilitate a potentially faster FDA approval process, and depending on CDA approval process and our Phase III results in China, we may pursue accelerated FDA approval for Dorzagliatin. These efforts might include seeking "breakthrough" drug designation for Dorzagliatin (if our clinical trials demonstrate a substantial improvement over existing Type 2 diabetes treatments). Our Phase III trials may not demonstrate the necessary efficacy and we may not be successful in these efforts.

Pursuing regulatory approval and commercialization activities outside of China will expose us to additional risks which may adversely impact our financial results or distract us from our China operations.

Our operations are based in China and pursuing regulatory approval and commercialization activities outside China will expose us to additional risks including:

- the possible need to expand outside of China and hire additional qualified employees who may be located outside of China;
- potential management distraction from our China operations;
- fluctuations in economic conditions, including inflation, or political instability in foreign economies and markets;
- possible tariffs and trade restrictions;
- foreign taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenues, and other obligations incidental to doing business in another country; and
- difficulty in importing and exporting clinical trial materials and study samples.

Risks relating to the development of mGLUR5 and any other future drug candidate.

We plan to commence Phase I clinical trials in China for mGLUR5 in the second half of 2019. That timing may be delayed and the CDA may not give us the required Investigational New Drug, or IND, approval to commence clinical trials in humans. The development and commercialization of any drug candidate is a long, expensive and risky process which is subject to the same and similar risks as we face in connection with the development and commercialization of Dorzagliatin. For example, mGLUR5 may never become a viable drug candidate or an approved drug. mGLUR5 is designed for the treatment of PD-LID, which requires different scientific and technical expertise as well as a separate marketing and commercialization team from Dorzagliatin, which could result in more costs and uncertainties for us. Any success in the development of Dorzagliatin therefore may not translate to the development of mGLUR5.

To date, our portfolio advisory committee, which provides us with guidance regarding areas of focus and potential drug candidates suitable for pursuit, has been extremely selective by eliminating a number of potential drug candidates or focus areas. We cannot assure you that we will identify additional suitable areas of opportunity beyond those described in this prospectus.

Risks related to our intellectual property

If we are unable to obtain and maintain patent protection for Dorzagliatin through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

Our success depends, in part, on our ability to protect Dorzagliatin from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing PRC and international patent applications, relying on trade secret or pharmaceutical regulatory protection or employing a combination of these methods. We also seek to protect our proprietary position by in-licensing intellectual property relating to our technology and drug candidates. We cannot predict whether any of our other owned or in-licensed pending patent applications will result in the issuance of any patents that effectively protect Dorzagliatin. If we or our licensors are unable to obtain or maintain patent protection with respect to Dorzagliatin and technology we develop, our business, financial condition, results of operations, and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and any other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we or our licensors were the first to make the inventions claimed in our owned or in-licensed patents or pending patent applications or that we or our licensors were the first to file for patent protection of such inventions. Furthermore, the PRC and, recently, the United States have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology, which we invented.

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

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license from third parties or own, currently or in the future, issue as patents, they may not issue in a form that will

provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC, United States and abroad. We and our licensors may be subject to a third-party preissuance submission of prior art to the United States Patent and Trademark Office, or USPTO, or become involved in opposition, derivation, revocation, re-examination, post-grant and *inter partes* review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our owned or in-licensed patent rights, allow third parties to commercialize our technology or drug candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize drug candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we, or one of our licensors, may have to participate in interference proceedings declared by the USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our or our licensor's invention or other features of patentability of our owned or in-licensed patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and drug candidates. Such proceedings also may result in substantial costs and require significant time from our scientists and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technology or drug candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our owned or in-licensed patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, the terms of patents are finite. The patents we own or in-license and the patents that may issue from our currently pending owned and in-licensed patent applications generally have a 20-year protection period starting from such patents' and patent applications' earliest filing date. Given the amount of time required for the development, testing and regulatory review of a drug candidate, patents protecting such a candidate might expire before or shortly after it is commercialized. As a result, our owned or in-licensed patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications may in the future be co-owned with third parties. If we are unable to obtain an exclusive license to any such third party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Our owned or in-licensed patents could be found invalid or unenforceable if challenged in court or before SIPO or comparable foreign authority.

We or our licensors may become involved in patent litigation against third parties to enforce our owned or in-licensed patent rights, to invalidate patents held by such third parties, or to defend against such claims. A court may refuse to stop the other party from using the technology at issue on the grounds that our owned or in-licensed patents do not cover the third-party technology in question. Further, such third parties could counterclaim that we infringe, misappropriate or otherwise violate their intellectual property or that a patent we or our licensors have asserted against them is invalid or unenforceable. In patent litigation, defendant counterclaims challenging the validity, enforceability or scope of asserted patents are commonplace and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. In addition, third parties may initiate legal proceedings before administrative bodies in the PRC or abroad, even outside the context of litigation, against us or our licensors with respect to our owned or in-licensed intellectual property to assert such challenges to such intellectual property rights. Such mechanisms include re-examination, *inter partes* review, post-grant review, interference proceedings, derivation proceedings and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in revocation, cancellation or amendment to our patents in such a way that they no longer cover and protect our drug candidates.

The outcome of any such proceeding is generally unpredictable. Grounds for a validity challenge could be, among other things, an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, lack of written description or non-enablement. Grounds for an unenforceability assertion could be, among other things, an allegation that someone connected with prosecution of the patent withheld relevant information or made a misleading statement during prosecution. It is possible that prior art of which we and the patent examiner were unaware during prosecution exists, which could render our patents invalid. Moreover, it is also possible that prior art may exist that we are aware of but do not believe is relevant to our current or future patents, but that could nevertheless be determined to render our patents invalid. Even if we are successful in defending against such challenges, the cost to us of any patent litigation or similar proceeding could be substantial, and it may consume significant management and other personnel time. We do not maintain insurance to cover intellectual property infringement, misappropriation or violation.

An adverse result in any litigation or other intellectual property proceeding could put one or more of our owned or in-licensed patents at risk of being invalidated, rendered unenforceable or interpreted narrowly. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability of our owned or in-licensed patents covering one or more of our drug candidates, we would lose at least part, and perhaps all, of the patent protection covering such drug candidates. Competing drugs may also be sold in other countries in which our patent coverage might not exist or be as strong. If we lose a foreign patent lawsuit, alleging our infringement of a competitor's patents, we could be prevented from marketing our drugs in one or more foreign countries. Any of these outcomes would have a materially adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to protect our intellectual property in the PRC.

The validity, enforceability and scope of protection available under the relevant intellectual property laws in the PRC are uncertain and still evolving. Accordingly, intellectual property and confidentiality legal regimes in the PRC may not afford protection to the same extent as in the United States or other countries. Policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation varies, and outcomes are unpredictable. Further, such litigation may require significant expenses and may divert management's attention from our operations, which could harm our business, financial condition and results of operations. An adverse determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

We may not be able to protect our intellectual property and proprietary rights throughout the world.

Filing, prosecuting, maintaining and defending patents on drug candidates in all countries throughout the world would be prohibitively expensive, and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the PRC or the United States or from selling or importing products made using our inventions in and into the PRC, the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own competing products and, further, may export otherwise infringing products to territories where we have patent protection or licenses to intellectual property but where enforcement is not as strong as in the United States. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our intellectual property and proprietary rights generally. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property and proprietary rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Furthermore, many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner

may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

If we are unable to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed.

In addition to the protection afforded by registered patents and pending patent applications, we rely upon unpatented trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We also seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with parties that have access to them, such as our partners, collaborators, scientific advisors, employees, consultants and other third parties, and invention assignment agreements with our consultants and employees. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes. We may not be able to prevent the unauthorized disclosure or use of our technical know-how or other trade secrets by the parties to these agreements, however, despite the existence generally of confidentiality agreements and other contractual restrictions. If any of the partners, collaborators, scientific advisors, employees and consultants who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result. Enforcing a claim that a third party illegally disclosed or misappropriated our trade secrets, including through intellectual property litigation or other proceedings, is difficult, expensive and time consuming, and the outcome is unpredictable. In addition, courts in China and other jurisdictions inside and outside the United States are less prepared, less willing or unwilling to protect trade secrets.

Our trade secrets could otherwise become known or be independently discovered by our competitors or other third parties. For example, competitors could purchase our drug candidates and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe, misappropriate or otherwise violate our intellectual property rights, design around our intellectual property protecting such technology or develop their own competitive technologies that fall outside of our intellectual property rights. If any of our trade secrets were to be disclosed or independently developed by a competitor, we may have no right to prevent them, or others to whom they communicate it, from using that technology or information to compete against us, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

If Dorzagliatin infringes, misappropriates or otherwise violates the intellectual property rights of third parties, we may incur substantial liabilities, and we may be unable to sell or commercialize Dorzagliatin.

Our commercial success depends significantly on our ability to develop, manufacture, market and sell Dorzagliatin and use our proprietary technologies without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other

intellectual property rights. In the PRC and the United States, invention patent applications are generally maintained in confidence until their publication 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and invention patent applications are filed. Even after reasonable investigation, we may not know with certainty whether any third-party may have filed a patent application without our knowledge while we are still developing or producing that product. We may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our technology and any drug candidates we may develop, including interference proceedings, post-grant review, *inter partes* review and derivation proceedings before the USPTO and similar proceedings in foreign jurisdictions.

Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of their merit. Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. A court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, which could materially and adversely affect our ability to commercialize any drug candidates we may develop and any other drug candidates or technologies covered by the asserted third-party patents. In order to successfully challenge the validity of any such U.S. patent in federal court, we would need to overcome a presumption of validity. There is no assurance that a court of competent jurisdiction would invalidate the claims of any such U.S. patent.

If we are found to infringe a third party's patent rights, and we are unsuccessful in demonstrating that such patents are invalid or unenforceable, we could be required to:

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

- defend litigation or administrative proceedings;

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

- cease developing, manufacturing and commercializing the infringing technology or drug candidates; and

- pay such third party significant monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right.

Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on our business, financial condition, results of operations,

and prospects. Even if we are successful in such litigation or administrative proceedings, such litigation and proceedings may be costly and could result in a substantial diversion of management resources. Any of the foregoing may have a material adverse effect on our business, prospects, financial condition and results of operations.

Intellectual property litigation and proceedings could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to our, our licensor's or other third parties' intellectual property claims may cause us to incur significant expenses and could distract our personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Shares. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

We may be subject to claims that we or our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of competitors or their current or former employers or are in breach of non-competition or non-solicitation agreements with competitors or other third parties.

We could in the future be subject to claims that we or our employees, consultants or advisors have inadvertently or otherwise used or disclosed alleged trade secrets or other proprietary information of current or former employers, competitors or other third parties. Many of our employees, consultants and advisors are currently or were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not improperly use the intellectual property, proprietary information, know-how or trade secrets of others in their work for us, we may be subject to claims that we or these individuals have breached the terms of his or her non-competition or non-solicitation agreement, or that we or these individuals have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of a current or former employer, competitor or other third parties.

Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and could be a distraction to management and research personnel. If our defenses to these claims fail, in addition to requiring us to pay monetary damages, a court could prohibit us from using technologies or features that are essential to our drug candidates, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. An inability to incorporate such technologies or features would have a material adverse effect on our business and may prevent us from successfully commercializing our drug candidates. In addition, we may lose

valuable intellectual property rights or personnel as a result of such claims. Moreover, any such litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our drug candidates, which would have a material adverse effect on our business, results of operations and financial condition.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. Such claims could have a material adverse effect on our business, financial condition, results of operations and prospects.

The implementation of rules regarding the drug patent extension in the PRC remains uncertain.

The Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices and Equipment (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) promulgated by the General Office of the State Council on October 8, 2017, and Guiding Opinions on Strengthening and Boosting Technological Innovations in Food and Drug Fields (關於加强和促進食品藥品科技創新工作的指導意見) promulgated by the CFDA and the Ministry of Science and Technology on January 25, 2018, have established a pilot drug patent extension system for certain selected new drugs to compensate for the time involved with the regulatory review process. However, the implementing laws and regulations for the pilot drug patent extension system have not yet been established and therefore the implementation, interpretation and enforcement of laws and regulations regarding the patent extension system remain uncertain. As a result, the patents we have in-licensed or own in the PRC may not be eligible to be extended for patent term lost during the regulatory review process under the forthcoming pilot drug patent extension system. If we are unable to obtain patent term extension or term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration thereby shortening the potential window we have to maximize the value of our sole product, and our business, financial condition, results of operations, and prospects could be materially harmed.

Intellectual property rights do not necessarily address all potential threats.

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

- others may be able to make GKA products that are similar to Dorzagliatin or utilize similar technology but that are not covered by the claims of the patents that we license or may own in the future;

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

- we, our licensors, owners of patent rights that we have in-licensed, or current or future collaborators might not have been the first to file patent applications covering certain of our or their inventions;

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

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

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

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

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

- the patents of others may harm our business; and

- we may choose not to file a patent in order to maintain certain trade secrets or know how, and a third party may discover certain technologies containing such trade secrets or know how through independent research and development and/or subsequently file a patent covering such intellectual property.

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

Other risks relating to our business

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

We expect to experience significant growth in the number of our employees and consultants and the scope of our operations, particularly in the areas of drug development, regulatory affairs and commercialization. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not

be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant increase in costs and may divert our management resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations, and have a materially adverse effect on our business.

Any acquisition to build our China-focused sales team in anticipation of, or following, CDA approval of Dorzagliatin will subject us to potential additional risks which could disrupt our business and distract our management.

Our employee base currently consists substantially of highly-trained medical personnel engaged in research and development and related activities. Any acquisition to build our China-based sales force capability to sell Dorzagliatin will expose us to potential risks, including risks associated with rapid headcount growth, unforeseen or hidden liabilities, or our inability to generate sufficient revenues to offset the costs and expenses related to the acquisition and potential loss of, or harm to, relationships with our new and existing employees as a result of integration with the acquired entity, any of which could significantly disrupt our ability to manage our business.

Our employees, independent contractors, KOLs, PIs, CROs, consultants and collaborators may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, KOLs, PIs, CROs, CMOs, consultants and collaborators may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or unauthorized activities that violate the regulations of the CDA and non-Chinese regulators, including those laws requiring the reporting of true, complete and accurate information to the CDA and non-Chinese regulators, healthcare fraud and abuse laws and regulations in China and abroad, or laws that require the reporting of true and accurate financial information and data. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. These activities also include the improper use or disclosure of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. We have adopted a code of conduct, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in government-sponsored healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations.

Pharmaceutical companies in China are required to comply with extensive regulations and hold a number of permits and licenses to carry on their business. Our ability to obtain and maintain these regulatory approvals is uncertain, and future government regulation may place additional burdens on our efforts to commercialize our drug candidates.

The pharmaceutical industry in China is subject to extensive government regulation and supervision. The regulatory framework addresses all aspects of operating in the pharmaceutical industry, including approval, registration, production, distribution, packaging, labeling, storage and shipment, advertising, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs and environmental protection. Violation of applicable laws and regulations may materially and adversely affect our business. We have been granted a market authorized holder, or MAH certification for Dorzagliatin and its oral formulation, which allows us to partner with CMOs who are required to secure a pharmaceutical manufacturing permit and a GMP certificate for each production facility from the CDA and its relevant branches. However, as an MAH, we are still required to obtain a drug registration certificate, which includes a drug approval number, from the CDA for each drug we manufacture. In addition, we are responsible for the entire manufacturing and marketing chain and the whole life cycle of any drug we manufacture, and we assume full legal liability for non-clinical, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring. For distribution, we or a partner will need to obtain a pharmaceutical distribution permit and good supply practice, or GSP, certificate from the CDA and its relevant branches.

If we are unable to obtain or renew such permits or any other permits or licenses required for our operations, we will not be able to engage in the commercialization, manufacture and distribution of our drug candidates and our business may be adversely affected.

The regulatory framework governing the pharmaceutical industry in China is subject to change and amendment from time to time. Any such change or amendment could materially and adversely impact our business, financial condition and prospects. The PRC government has introduced various reforms to the Chinese healthcare system in recent years and may continue to do so, with an overall objective to expand basic medical insurance coverage and improve the quality and reliability of healthcare services. The specific regulatory changes under the reform still remain uncertain. The implementing measures to be issued may not be sufficiently effective to achieve the stated goals, and as a result, we may not be able to benefit from such reform to the level we expect, if at all. Moreover, the reform could give rise to regulatory developments, such as more burdensome administrative procedures, which may have an adverse effect on our business and prospects.

Our CMOs are subject to environmental regulations and we may be exposed to liability and potential costs for environmental compliance.

Our CMOs are subject to national and local environmental laws and regulations of the PRC and must comply with PRC laws and regulations concerning the discharge of air, water and solid waste as well as noise control. In addition, manufacturers engaging in any new construction project must prepare an environmental impact study report setting forth the potential environmental impact of the proposed construction project and proposing measures to prevent or mitigate such impact for approval by the government authority prior to the commencement of the new construction project.

Our CMOs may not at all times fully comply with environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligation to take corrective measures. Although we expect our CMOs would be primarily liable for violations of PRC environmental regulation, we could also be found to be secondarily liable. Any such liabilities may adversely affect our business, financial condition and results of operations.

Changes in government regulation or in practices relating to the pharmaceutical and biotechnology industries, including potential healthcare reform could decrease the need for the products we provide.

In recent years, the U.S. Congress and state legislatures have considered various types of healthcare reform to control growing healthcare costs. Similar reform movements have occurred in parts of Europe and Asia. Legislation of healthcare reform that could result in costs that could limit the profits to be made from the development of new drugs. This could adversely affect R&D expenditures by pharmaceutical and biotechnology companies, which could in turn decrease the business opportunities available to us in the United States and other countries. We are unable to predict what legislative proposals will be adopted in the future, if any.

If we breach our license or other intellectual property-related agreements for Dorzagliatin or any of our future drug candidates or otherwise experience disruptions to our business relationships with our licensors, we could lose the ability to continue the development and commercialization of our drug candidates.

We have obtained from Roche an exclusive license to certain patents and know-how owned by Roche to develop, make, use, sell, offer for sale, export and import Dorzagliatin in the field of diabetes. Although we intend to leverage our experience in developing Dorzagliatin to develop new novel drugs (such as our current drug candidate mGLUR5 for the treatment of Parkinson's disease, levodopa-induced dyskinesia, or PD-LID), we may license or sublicense drug candidates from third parties or their affiliates. Our license and intellectual property-related agreements may require us to comply with other obligations including development and diligence obligations, providing certain information regarding our activities with respect to such drug candidates and/or maintaining the confidentiality of information we receive from our licensors. For example, under our agreements relating to Dorzagliatin, we are required to use commercially reasonable efforts to conduct the necessary non-clinical, clinical, regulatory and other activities necessary to develop and commercialize Dorzagliatin.

If we fail to meet any of our obligations under our license and intellectual property-related agreements, our licensors have the right to terminate our licenses and sublicenses and, upon the effective date of such termination, have the right to re-obtain the licensed and sublicensed technology and intellectual property. If any of our licensors terminate any of our licenses or sublicenses, we will lose the right to develop and commercialize our applicable drug candidates in some or all of the licensed territories and other third parties may be able to market drug candidates similar or identical to ours in such territories. In such case, we may be required to grant a license to the licensors under our own intellectual property with respect to the terminated products. While we would expect to exercise all rights and remedies available to us, including seeking to cure any breach by us, and

otherwise seek to preserve our rights under the intellectual property licensed and sublicensed to us, we may not be able to do so in a timely manner, at an acceptable cost or at all. In particular, some of the milestone payments are payable upon Dorzagliatin reaching development milestones before we have commercialized, or received any revenue from, sales of Dorzagliatin, and we cannot guarantee that we will have sufficient resources to make such milestone payments. Any uncured, material breach under the license agreements could result in our loss of exclusive rights and may lead to a complete termination of our rights to the applicable drug candidate. Any of the foregoing could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

In addition, disputes may further arise regarding intellectual property subject to a license agreement, including, but not limited to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or otherwise violate intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

If our licensors were to fail to comply with their obligations under the agreements pursuant to which they obtain the rights that are sublicensed to us, or should such agreements be terminated or amended, our rights to the applicable licensed intellectual property may be terminated or narrowed and our ability to produce and sell our products and drug candidates may be materially harmed. If we do not comply with our license agreement with Roche or with such other third parties, any such agreements may be terminated or narrowed and we may lose our rights to the in-licensed intellectual property and be required to cease development and commercialization of Dorzagliatin. Any of the foregoing could have a material adverse effect on our business, financial conditions, results of operations, and prospects. Future efforts to make our products outside China would also significantly increase such risks.

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

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

We face an inherent risk of product liability exposure related to the use of Dorzagliatin in clinical trials or any drug candidates we may decide to commercialize and manufacture in the future. If we cannot successfully defend against claims that the use of such drug candidates in our clinical trials or any products we may choose to manufacture at our production facilities in the future, including any of our drug candidates which receive regulatory approval, caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- significant negative media attention and reputational damage;
- withdrawal of clinical trial participants and the inability to continue clinical trials;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- the inability to commercialize any drug candidates that we may develop;
- initiation of investigations by regulators;
- a diversion of management's attention and our resources; and
- a decline in the price of our Shares.

Except for liability insurance covering bodily injury and death of patients in clinical trials, existing PRC laws and regulations do not require us to have, nor do we currently, maintain liability insurance to cover product liability claims. Although we maintain clinical trial insurance, we do not have any other business liability insurance. Any litigation might result in substantial costs and diversion of resources. While we maintain liability insurance for certain clinical trials (which covers patient human clinical trial liabilities including, among others, bodily injury), this insurance may not

fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent the commercialization of drugs we develop, alone or with our collaborators. Future efforts to make our products outside China would also significantly increase such risks.

If we face allegations of noncompliance with the law and encounter sanctions, our reputation, revenues and liquidity may suffer, and our drugs could be subject to restrictions or withdrawal from the market.

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

A number of governmental agencies or industry regulatory bodies in China, the United States and Europe, impose strict rules, regulations and industry standards as to how drug research and development should be conducted which apply to us. Any failure on our part to comply with existing regulations could result in the termination of ongoing research or the disqualification of data for submission to regulatory authorities. This could harm our reputation, our prospects for future work and our operating results. For example, if the CROs we contract with were to treat research animals inhumanely and not in accordance with international standards set out by the Association for Assessment and Accreditation of Laboratory Animal Care, or AAALAC, which is an accreditation we intend to pursue, AAALAC could revoke any such accreditation and the accuracy of our animal research data could be questioned. Any material violation by us of us or our CROs or CMOs of GCP, GLP or cGMP, in each case as determined by the CDA, could cause our customers to terminate their contracts with us and thus materially and adversely affect our business, financial condition, results of operations and prospects.

We do not own any real property and may incur substantial relocation expenses if any lease for our offices is not renewed upon its expiration or is terminated.

We do not own any real property for our operations. As of the Latest Practicable Date, we lease an aggregate area of approximately 2,111 square meters in our Shanghai headquarters, our Beijing office, Wuhan office and Hong Kong office. Upon expiration of the leases, we will need to negotiate for renewal of the leases and may have to pay increased rent. We cannot assure you that we will be able to renew our leases on terms which are favorable or otherwise acceptable to us, or at all. In addition, we were not provided with a valid title certificate in respect of one of our leased properties and we may not be able to enforce the lease agreement in relation to this property. If we fail to renew any of our leases or if any of our leases are terminated or if we cannot continue to use any of our leased property, we may need to seek an alternative location and incur substantial expenses related to such relocation.

Further, one of our lease agreements was not registered with the relevant municipal land and real estate administration department in accordance with applicable PRC laws and regulations. As registration of the lease agreement will require the cooperation of landlord, we cannot assure you that we can complete the registration of such lease agreement in a timely manner or at all. Our PRC Legal Adviser advised us that a maximum penalty of RMB10,000 may be imposed for our failing to register such lease agreement. See the section headed "Business — Properties".

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our operations, and those of our CROs, SMOs, CMOs, collaboration partners, suppliers and other contractors and consultants, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, an outbreak of avian flu, SARS, swine influenza or other epidemics in China and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. We intend to rely on third-party manufacturers to develop and produce our drug candidates. Commercial production of Dorzagliatin could be disrupted if the operations of these manufacturers are affected by a man-made or natural disaster or other business interruption. A large portion of our operations is located in a single facility in Shanghai, PRC. Damage or extended periods of interruption to our corporate, development or research facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay our business operations.

Our business and operations would suffer in the event of computer system failures, cyber-attacks or a deficiency in our cyber-security.

Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from computer viruses, malware, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber-intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks from around the world have increased. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Also, confidential patient and other information may be compromised in a cyber-attack or cyber-intrusion. To the extent that any disruption or security breach was to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur material legal claims and liability, damage to our reputation, and the further development of our drug candidates could be delayed.

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 clinical trial insurance policies covering bodily injury and death of patients due to material adverse effect in the clinical trial. We hold directors and officers liability insurance. We do not maintain key-person life insurance on any of our senior management or key personnel, intellectual property infringement or business interruption 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.

Following commercialization, counterfeits of Dorzagliatin could negatively affect our sales, damage 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 Dorzagliatin. 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 Dorzagliatin that could appear following commercialization could quickly erode our sales volume. Moreover, counterfeits of Dorzagliatin may or may not have the same chemical composition as Dorzagliatin, which may make them less effective than Dorzagliatin, 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 the healthcare markets in recent years from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like us, particularly in overseas markets. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and brand name and expose us to liability claims.

Risks related to doing business in China

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products, and could otherwise materially and adversely affect our business, operations or competitive position.

Substantially all of our operations are located in China, and, if Dorzagliatin is approved, we expect substantially all of our sales would be made in China for the foreseeable future. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China.

The Chinese economy differs from the economies of most developed countries in many respects, including, but not limited to the extent of government involvement, the level of development, the growth rate, the control of foreign exchange, the allocation of resources, the evolving regulatory system and the level of transparency in the regulatory process.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically, among various sectors of the economy, and during different periods. The Chinese economy may not continue to grow, and if there is growth, such growth may not be steady and uniform, and if there is a slowdown, such a slowdown may have a material negative effect on us.

The Chinese government implements various measures intended to encourage economic growth and guide the allocation of resources. These measures may include differential policies towards specific groups of pharmaceutical companies, such as promotion of traditional medicines or state-owned companies, or investments in biopharmaceutical companies competing against us, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in China could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented reform measures allowing market forces to play a bigger role, encouraging the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the Chinese government. The continued control of these assets and other aspects of the national economy by the Chinese government could materially and adversely affect our business. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Changes and developments in China's economic, political and social conditions could adversely affect our financial condition and results of operations. For example, the pharmaceutical market may grow at a slower pace than expected, which could adversely affect our business, financial condition or results of operations.

Future changes in laws, regulations or enforcement policies in China could adversely affect our business.

Laws, regulations or enforcement policies in China, including those regulating healthcare and the pharmaceutical industry, are evolving and subject to frequent changes. For example, the CDA recently released a revised Drug Administration Law (Draft for Comments) (中華人民共和國藥品管理法修正案(草案徵求意見稿)) and a revised Drug Registration Measures (Draft for Comments) (藥品註冊管理辦法(修訂稿)), and the SAMR recently released the Revised Administration of Quality of Drug Clinical Practice (Draft for Comments) (藥物臨床試驗質量管理規範(修訂草案徵求意見稿)) to

solicit comments from the public, which as compared to current laws and regulations, mandate more rigorous and comprehensive requirements and standards for healthcare and the pharmaceutical industry. Although we are committed to complying with the evolving laws and regulations in China, substantial uncertainties exist with respect to their effective versions, enactment timetables, interpretation and implementation and compliance with such laws and regulations may result in more stringent operating requirements that could have an adverse effect on our business and results of operations. Further, regulatory agencies in China may periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings in China may be protracted and may result in substantial cost and diversion of resources and management attention, negative publicity, and damage to reputation. In addition, such changes may be applied retroactively and thus subject our business and operations to increased uncertainties and risks.

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

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

Under the EIT Law and its implementation rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Besides enterprises established within the PRC, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" is not within the PRC but which has an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but has income sourced within the PRC.

As substantially all of the operational management of our Company is currently based in the PRC, we and our Hong Kong subsidiary may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If we and our Hong Kong subsidiary are deemed PRC resident enterprises, we could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiary may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. If we are deemed a PRC resident enterprise and earn significant income other than exempted dividends from our PRC subsidiaries, the EIT on our global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

Further, pursuant to the EIT Law and its implementation rules, PRC income tax at the rate of 10% is generally applicable to PRC source dividends paid by "PRC resident enterprises" to investors that are "non-PRC residents". Similarly, any gain realized on the transfer of the shares of "PRC resident enterprises" by such investors is also subject to PRC income tax, usually at the rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends payable to our foreign investors or gains our foreign investors may realize from the transfer of the Shares may be treated as income sourced within the PRC and be subject to PRC income tax. Accordingly, if we are deemed a PRC resident enterprise under the EIT Law, our shareholders that are "non-PRC resident enterprises" could be subject to the withholding income tax upon the dividends payable by us or upon any gains realized from the transfer of our ordinary shares at the rate of 10% unless otherwise reduced or exempted. Such dividends or gains received by non-PRC resident individuals may be subject to PRC individual income tax at a rate of 20%.

It is unclear whether, if we and our Hong Kong subsidiary are deemed a PRC resident enterprise, our shareholders would be able to claim the benefit of income tax treaties entered into between China and other countries or regions. If dividends payable to our shareholders that are "non-PRC residents," or gains from the transfer of our Shares are subject to PRC tax, the value of such shareholders' investment in our Shares may be materially and adversely affected.

Our Hong Kong subsidiary may not be entitled to the reduced withholding tax rate under the Double Taxation Arrangement between the PRC and the Hong Kong Special Administrative Region.

We are a holding company incorporated under the laws of the Cayman Islands. We conduct substantially all of our business through our PRC subsidiaries.

Pursuant to the Notice of the SAT on Issuing the Table of Tax Rates on Dividends in Treaties (國家税務總局關於下發協定股息税率情況一覽表的通知), or Notice 112, which was issued on January 29, 2008, the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), or the Double Tax Avoidance Arrangement, which became effective on August 21, 2006, such withholding tax may be lowered to 5% if the PRC enterprise is at least 25% directly held by a Hong Kong enterprise. In February 2018, the SAT further issued the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (國家税務總局關於税收協定中"受益所有人"有關問題的公告). According to this Announcement, an applicant who does not conduct substantive business activities may not be deemed as a "beneficial owner" and thus will not be entitled to the above-mentioned reduced income tax rate of 5%. These rules also set forth certain criteria for determining whether, for treaty purposes, a person is a "beneficial owner." We may not be able to enjoy the preferential withholding tax rate of 5% under the tax arrangement and may therefore be subject to withholding tax at a rate of 10% with respect to dividends to be paid by our PRC subsidiaries to us through our Hong Kong subsidiary.

A failure by the beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations could subject us to liability under PRC laws.

The State Administration for Foreign Exchange, or SAFE, has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular 37, issued and effective on July 4, 2014,and the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外滙管理政策的通知), or SAFE Circular 13, issued on February 13, 2015. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, PRC residents shall conduct the aforesaid registration with the qualified local banks instead of SAFE, according to SAFE Circular 13.

Subsequent regulations further clarified that PRC subsidiaries of a special purpose vehicle are required to urge its PRC resident shareholders and beneficial owners to update their registrations with local branches of the SAFE. Please refer to the section headed "Regulatory Overview—Foreign Exchange Control" in this prospectus. If our Shareholders or beneficial owners who are PRC citizens or residents do not complete their registration with the qualified local banks, it could result in liabilities for our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested our current shareholders to disclose whether their shareholders or beneficial owners are PRC residents under SAFE Circular 37 and related rules, and we are committed to complying with and to ensuring that our Shareholders or beneficial owners who are subject to the regulations will comply with the relevant rules. However, we may not be aware of the identities of all of our beneficial owners who are PRC residents and may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. There can be no assurance that all of our current or future Shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 37 or other related regulations. Failure by any such Shareholders or beneficial owners to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions.

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

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 People's Bank of China 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 proceeds from the Global Offering 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 proceeds from the Global Offering. 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.

Restrictions on currency exchange may limit our ability to receive and use our revenue effectively.

If Dorzagliatin is approved and we commercialize Dorzagliatin, we expect to receive nearly all of our revenue in Renminbi, which currently is not a freely convertible currency. A portion of our revenue may be converted into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our ordinary shares and to service our debts. Under China's existing foreign exchange regulations, we are able to pay dividends in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, the PRC government may take measures to restrict access to foreign currencies for current account transactions. Our ability to obtain foreign exchange is subject to significant foreign exchange controls, which in the case of amounts under the capital account requires the approval of and/or registration with PRC government authorities, including SAFE.

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

We conduct our business through our operating subsidiaries in China, which are governed by PRC law. China is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, prior court decisions may be cited as persuasive authority but do not have legally binding force. The PRC government has promulgated laws and regulations in relation to economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to establishing a comprehensive legal system conducive to investment activities. However, the implementation, interpretation and enforcement of these laws and regulations may cause greater uncertainty compared to those in the common law jurisdictions due to a relatively

short legislative history, limited volume of court cases and their non-binding nature. Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for guidance. PRC administrative and court authorities also have significant discretion in interpreting and enforcing statutory and contractual terms. It thus may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. Vis-à-vis our competitors, depending on the government agency or how an application or a case is presented to such agency or other factors, we may receive less favorable application of law. In addition, any litigation or legal proceeding in China may be protracted and result in substantial legal costs and diversion of resources and management attention. We cannot predict the effect of future legal developments in China, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local rules and regulations by national law, the overturn or modification of the lower-level authority's decisions at the higher level, or the changes in judiciary and administrative practices. As a result, there is substantial uncertainty as to the legal protection available to us or to our investors.

There may be difficulties in effecting services of process and seeking recognition and enforcement of foreign judgments in China.

Substantially all of our assets are located in China, and most of our senior management members and directors reside in China. However, China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts of the United States or many other jurisdictions. As a result, it may be difficult or impossible for investors to effect service of process or enforce court judgments against our PRC subsidiaries, our assets, senior management members or directors in China.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (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 pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. 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 the 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 is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

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

In utilizing the proceeds of the Global Offering in the manner described in the section headed "Future Plans and Use of Proceeds", as an offshore holding company, we may extend loans to our PRC subsidiary, establish new subsidiaries, make additional capital contributions to our PRC subsidiary or acquire, in offshore transactions, offshore entities with business operations inside China. Any loans to our PRC subsidiary are subject to PRC regulations and approvals. For example, loans we extended to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart.

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

Furthermore, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of foreign-invested enterprises. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. In addition to Circular 19, SAFE also promulgated SAFE Circular 16 on June 9, 2016.

Among other things, Circular 19 and Circular 16 prevent a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans to non-affiliated enterprises (unless permitted in the business scope of such foreign-invested enterprise) or repaying loans between non-financial enterprises.

In addition, any capital contributions to our existing PRC subsidiary or to any new PRC subsidiaries that we may establish in the future must be filed with the Ministry of Foreign Commerce or its local counterpart. There can be no assurance that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

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

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of the Global Offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

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 we 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.

Risks relating to our history of losses, operating results and this Global Offering

We have incurred, and expect to continue to incur for the foreseeable future, significant losses and may never achieve or maintain profitability.

As of March 31, 2018, we had an accumulated deficit of RMB1,260.0 million with a loss of RMB280.7 million in 2017. We expect a significantly larger loss in 2018 as we incur significant additional operating losses and negative operational cash flows as we conduct clinical trials, seek regulatory approvals from the CDA for Dorzagliatin and, if we receive CDA approval, commercialize Dorzagliatin. As a result, these losses and negative operational cash flows are expected to continue for the foreseeable future and have had, and will continue to have, an adverse effect on our shareholders' equity and working capital. The amount of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues and we may never achieve or maintain profitability.

We have incurred, and expect to continue to incur for the foreseeable future, net cash outflows from operating activities.

We had net cash outflows from operating activities of RMB76.1 million, RMB198.7 million, RMB22.5 million and RMB66.1 million in the years ended December 31, 2016 and 2017 and the three month periods ended March 31, 2017 and 2018, respectively. We expect these outflows to continue for the foreseeable future, and we may never succeed in achieving or sustaining cash inflows from operations.

Changes in fair value of financial liabilities at FVPTL and uncertainties in accounting estimates in the valuation of financial liabilities at FVTPL require the use of significant unobservable inputs.

To date, we have raised US$210.5 million to fund our operations through the issuance of the convertible redeemable preferred shares and subsidiary's ordinary shares with written put options. These financial instruments will be converted into Shares upon the earlier of the closing of a qualified initial public offering, or the date specified by written consent or agreement of majority holders of redeemable convertible preferred shares. The fair value of these financial instruments is established by using valuation techniques. These techniques include back-solve method and adopted equity allocation models. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as fair value of our Shares, possibilities under different scenarios such as initial public offering, liquidation and redemption, risk free rate, volatility and discount for lack of marketability, require management estimates, which are inherently uncertain. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it could lead to a materially adverse change in the fair value of the financial liabilities at fair value through profit or loss. Although our convertible redeemable preferred shares will be converted to Shares upon the closing of the Global Offering, to the extent we need to revalue the redeemable convertible preferred shares prior to the closing of the Global Offering, the change in fair value of financial liabilities at FVTPL would significantly affect our financial position and performance. Our aggregate loss on changes in fair value of financial liabilities at fair value through profit and loss ("FVTPL") during the Track Record Period was RMB648.4 million. The fair value change of RMB1,376 million in financial liabilities at FVTPL from RMB1,139 million as of December 31, 2017 to RMB3,259 million as of June 30, 2018 deducting Series D and E Preferred Shares financing of RMB 744 million recorded as financial liabilities at FVTPL in the six months ended June 30, 2018 for new issues, was recorded as loss on changes in fair value of financial liabilities at FVTPL in our consolidated income statements for the six months ended June 30, 2018. Assuming all of our outstanding redeemable convertible preferred shares were converted into ordinary Shares as of June 30, 2018, RMB3,259 million financial liabilities at FVTPL would be reclassified as equity reserves on the consolidated balance sheet. Such reclassification would have no effect on the consolidated income statements on the conversion date.

Assuming all of our outstanding redeemable convertible preferred shares were converted into ordinary Shares as of December 31, 2018, financial liabilities at FVTPL would be reclassified as equity reserves on the consolidated balance sheet, and the fair value change in financial liabilities at FVTPL from RMB3,259 million as of June 30, 2018 to the fair value amount as of December 31, 2018, which largely depends on the underlying share price of our Company on that date, would be recorded as changes in fair value of financial liabilities at FVTPL in the consolidated income statements for the six months ended December 31, 2018. Such conversion would have no effect on the consolidated income statements on the conversion date.

We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

We have not yet obtained any regulatory approvals for the sale of Dorzagliatin in China and consequently have not generated any revenues and have a limited operating history. Consequently, any statements about our future success or viability are not based on any substantial operating history or commercialized products. Our financial condition and operating results have varied significantly in the past and will continue to fluctuate from quarter-to-quarter or year-to-year due to a variety of factors, many of which are beyond our control. As a result, we may never successfully develop and commercialize a product, which could lead to a material adverse effect on the value of any investment in our Shares.

We cannot make fundamental changes to our business without the consent of the Stock Exchange.

On April 30, 2018, the Stock Exchange adopted new rules under Rule 18A.09 of its Listing Rules. Under these rules, without the prior consent of the Stock Exchange, we will not be able to effect any acquisition, disposal or other transaction or arrangement or any series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in our principal business activities as set forth in this prospectus. As a result, we may be unable to take advantage of certain strategic transactions that we might otherwise choose to pursue in the absence of Rule 18A.09. Were any of our competitors that are not listed on the Stock Exchange to take advantage of such opportunities in our place, we may be placed at a competitive disadvantage, which could have a material adverse effect on our business, financial condition and results of operations.

Even if this Global Offering is successful, we may need substantial additional capital to complete the development and commercialization of Dorzagliatin. We may be unable to raise sufficient capital.

Since inception we have funded ourselves through equity financings totaling US$210.5 million and as of March 31, 2018 we had RMB836.1 million in bank balances and cash. Our operations have consumed substantial amounts of cash since inception. Cash used in our operating activities totaled RMB76.1 million and RMB198.7 million in 2016 and 2107 and RMB22.5 million and RMB66.1 million for the three months ended March 31, 2017 and 2018, respectively.

We believe we have sufficient cash to fund our ongoing Phase III clinical trials in China to completion. However, even if this Global Offering is successful, we may need to raise substantial additional capital to fund additional development and commercialization of Dorzagliatin. Until we can generate a sufficient amount of revenue from Dorzagliatin, if ever, we expect to finance future cash needs through equity offerings, debt financings, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. If worldwide economic conditions and the international equity and credit markets deteriorate and return to depressed states, it will be more difficult for us to obtain additional equity or credit financing, when needed.

Our future capital requirements will depend on many factors, including:

- the progress, costs, results and timing of the development of Dorzagliatin or any other drug we elect to develop (including our ongoing Phase III clinical trials and new clinical trials as we seek to introduce Dorzagliatin in combination with other approved Type 2 diabetes drugs) such as mGLUR5;

- the willingness of the CDA, the FDA, and other regulators to accept the results of our clinical trials;

- the outcome, costs and timing of seeking and obtaining CDA and any other regulatory approvals;

- our effective management of our CROs, CMOs and other collaboration partners and associated costs;

- the costs associated with securing, establishing and maintaining commercialization capabilities;

- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;

- our need and ability to hire additional management and scientific and medical personnel;

- the effect of competing technological and market developments;

- our need to implement additional internal systems and infrastructure, including financial and reporting systems; and

- the economic and other terms, timing and success of our existing licensing arrangements and any collaboration, licensing or other arrangements into which we may enter in the future.

We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital when required or on acceptable terms, we will be prevented from pursuing development and commercialization efforts, which will have an adverse effect on our business, operation results and prospects.

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

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. In April 2018, the Stock Exchange adopted new rules under Chapter 18A of its Listing Rules. Chapter 18A permits for the first time listing on the Stock Exchange of pre-revenue, loss making Biotech Companies such as our Company. As required by Chapter 18A, our stock marker includes the letter "B' to denote we are a Biotech Company listed pursuant to Chapter 18A. We are among the first Biotech Companies permitted to list on the Stock Exchange.

A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

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

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors or other Biotech Companies (as defined by Chapter 18A);
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in China and global healthcare market;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;

- sales or anticipated sales of additional Shares; and
- the general economic conditions and other factors.

Biotech Companies listed under Chapter 18A are generally viewed as being early stage and significantly riskier than those companies traditionally listed on the Stock Exchange. The trading market for Biotech Companies (including the depth and liquidity for that market) may take time to develop and could be subject to significant and adverse changes. Our shares and the shares of other Biotech Companies could be subject to significant volatility unrelated to company specific performance or corporate developments. For example, adverse announcements by another unrelated Chapter 18A Biotech Company could adversely impact the trading price for the Shares. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and raising additional capital may cause further dilution, restrict our operation or require us to relinquish intellectual property rights or drug candidates.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$1.97 per Share, based on the mid-point of the Offer Price range of HK$8.78. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims.

If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

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

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

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

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

We cannot assure you that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refers to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Accordingly, since we expect we would derive substantially all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiary in China, we may not have sufficient distributable profits to pay dividends to our Shareholders. We have never declared or paid any dividends. Please refer to the section headed "Financial Information—Dividend Policy" in this prospectus for further details of our dividend policy. There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

There can be no assurance on when, if and in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by the Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

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

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare industry in China are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

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

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

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

WAIVER IN RELATION TO 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. Our 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 Company considers that the Group's management is best able to attend to its functions by being based in the PRC. Our 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 our 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 an effective channel of 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, namely Mr. George Chien Cheng LIN, our executive Director and Ms. Florence Hang Yee CHANG, our company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to promptly deal with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;

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

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

d) we have retained the services of Somerley Capital Limited as the compliance adviser (the "Compliance Adviser") in accordance with Rule 3A.19 of the Listing Rules. The Joint Sponsors submit, on behalf of our Company, that the Compliance Adviser will serve as an alternative channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorized representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to us in compliance with Rule 3A.23 of the Listing Rules;

e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame; and

f) we maintain a principal place of business in Hong Kong.

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE INCENTIVE SCHEME

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

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Incentive Scheme Scheme to 97 grantees, including a total of 10 Directors, senior management and other connected persons of the Company and 87 other employees or consultants of our Group, to subscribe for an aggregate of 109,577,025 (as adjusted after Capitalization Issue) Shares, representing 10.42% of the total number of Shares in issue immediately after completion of the Global Offering (assuming there will be no allotment or issuance of Shares, whether pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme), on the terms set out in the section headed "Statutory and General Information — D. Share Incentive

Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus. In addition, as of the Latest Practicable Date, awards for an aggregate of 7,422,975 Shares (as adjusted after Capitalization Issue) representing 0.71% of the total number of Shares in issue immediately after completion of the Global Offering (assuming there will be no allotment or issuance of Shares, whether pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Post-IPO Share Option Scheme) have been granted to 1 eligible participant (being a Director) by our Company under the Pre-IPO Share Incentive Scheme. For details, please refer to the section headed "Statutory and General information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus.

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

(a) given that 97 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Incentive Scheme in the prospectus would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;

(b) as of the Latest Practicable Date, among all the grantees, 10 grantees were Directors, the senior management or other connected persons of our Company and the remaining 87 grantees are only employees or consultants of our Group, and strict compliance with the Share Option Disclosure Requirements to disclose names, addresses, and entitlements on an individual basis in this prospectus will therefore require about 10 pages of additional disclosure that does not provide any material information to the investing public;

(c) given the nature of the business of the Company, it is extremely important for the Company to recruit and retain talents and the success of the Company's long-term development plan will very much depend on the loyalty and contribution of the grantees;

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

(e) non-compliance with the above disclosure requirements would not prevent the Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and

(f) material information relating to the options under the Pre-IPO Share Incentive Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Incentive Scheme, the exercise price per Share (if applicable), the potential dilution effect on the shareholding and impact on earnings per Share upon full allotment and issuance under the Pre-IPO Share Incentive Scheme. The Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment of the Company in their investment decision making process has been included in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

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

(a) full details of the options granted under the Pre-IPO Share Incentive Scheme to each of the Directors, the senior management and the other connected persons of the Company will be disclosed in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees (being the other grantees who are not Directors, the senior management or other connected persons of the Company), disclosure will be made, on an aggregate basis, of (1) their aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Incentive Scheme, (2) the fact that no consideration was paid for the grant of the options under the Pre-IPO Share Incentive Scheme and (3) the exercise period and the exercise price of the options granted under the Pre-IPO Share Incentive Scheme;

(c) there will also be disclosure in this prospectus for the aggregate number of Shares underlying the Pre-IPO Share Incentive Scheme and the percentage of our Company's total issued share capital represented by such number of Shares;

(d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO Share Option Scheme will be disclosed in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus;

(e) a summary of the major terms of the Pre-IPO Share Incentive Scheme will be disclosed in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus;

(f) the particulars of the waiver will be disclosed in this prospectus;

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

(h) further information relating to the grantees who have been granted options is provided to the Stock Exchange; and

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

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

(a) full details of the options under the Pre-IPO Share Incentive Scheme granted to each of our Directors, the senior management of our Group and the other connected persons of the Company will be disclosed in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus, as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees (being the other grantees who are not Directors, the senior management or other connected persons of the Company), disclosure will be made of, on an aggregate basis, (1) their aggregate number of grantees and the number of Shares underlying the options under the Pre-IPO Share Incentive Scheme, (2) the consideration paid for the grant of the options under the Pre-IPO Share Incentive Scheme and (3) the exercise period and the exercise price for the options granted under the Pre-IPO Share Incentive Scheme;

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

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

Further details of the Pre-IPO Share Incentive Scheme are set forth in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV to this prospectus.

EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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

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

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

The Company is a drug development company currently focused on developing a global first-in-class oral drug for the tratment of Type 2 diabetes. The Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a listing under Chapter 18A. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead reference to "two financial years" or "two years", as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the accountants' report of the Company set out in Appendix I to this prospectus is currently prepared to cover the two financial years ended December 31, 2016 and 2017 and the three months ended March 31, 2018.

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

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

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

iii. notwithstanding that the financial results set out in this prospectus are only for the two financial years ended December 31, 2016 and 2017 and the 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 prospectus pursuant to the relevant requirements. Therefore, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for the Company; and

iv. the accountant's report covering the two financial years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonable up-to-date information in the circumstances to form a view on the track record of the Company. 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 prospectus. Therefore, the exemption would not prejudice the interest of the investing public.

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

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

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. Our Company has applied to the Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements (as applicable) in respect of the non-exempt continuing connected transactions. For details of the non-exempt continuing connected transactions, see the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 10,476,000 Offer Shares and the International Offering of initially 94,280,000 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriter) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this prospectus.

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

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Capitalization Issue and the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be allotted and issued under the Post-IPO Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on September 14, 2018. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company's principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong share registrar, Tricor Investor Services Limited. Dealings in the Shares registered in the Company's Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.8508 to US$1.00, (ii) the translations between Renminbi and Hong Kong dollars were made at the rate of HK$1.00 to RMB0.87273. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Li CHEN (陳力)	Building 70, No. 2 Che Xin Road, Songjiang District, Shanghai, PRC	Chinese
George Chien Cheng LIN (林潔誠)	Flat 23A, Monmouth Villa, No. 3 Monmouth Terrace, Wanchai, Hong Kong	American
Non-executive Directors		
Robert Taylor NELSEN	50 Woodside Plaza No. 314, Redwood City, CA 94061, United States of America	American
Lian Yong CHEN (陳連勇)	No. 65, 2001 Longdong Avenue, Pudong New Area Shanghai 201203 PRC	American
Independent Non-executive Directors		
Walter Teh-Ming KWAUK (郭德明)	Flat 18B, Greenland Court 56 Macdonnell Road Mid-Levels Hong Kong	Canadian
William Robert KELLER	Lerchenhalde 7 8703 Erlenbach ZH Switzerland	Swiss
Junling LIU (劉峻嶺)	No. 482, 1 Longdong Avenue, Pudong New Area Shanghai 201203 PRC	Australian
Yiu Wa Alec TSUI (徐耀華)	House No. 8 Villa De la Golfe G-2/F, 268/Block 8, DD 100 Lot 1680B, Ying Pun, Villa De La Golfe, Sheung Shui, Hong Kong	Chinese

For further information regarding our Directors, please see the section headed "Directors, Senior Management and Advisors."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Lead Managers	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

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

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

Legal Advisers to the Company

As to Hong Kong and United States laws:

O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
Rm1007-1010. Kerry Center Tower 1
1515 West Nanjing Road
Shanghai, PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Legal Advisers to the Underwriters

As to Hong Kong and United States laws:

Shearman & Sterling
12/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

	As to PRC law: **JunHe LLP** 26/F HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No.1) Shanghai, PRC
Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, PRC
Receiving Bank	**Wing Lung Bank, Limited** 45 Des Voeux Road Central Hong Kong

Registered office	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Corporate headquarters	Hua Medicine, 275 Ai Di Sheng Road, Shanghai 201203, PRC
Principal place of business in Hong Kong	Suite 2202, Methodist House, 36 Hennessy Road, Wan Chai, Hong Kong
Company's website	www.huamedicine.com (The contents on this website do not form part of this prospectus)
Compliance adviser	**Somerley Capital Limited** 20th Floor China Building 29 Queen's Road Central Hong Kong
Company secretary	Ms. Florence Hang Yee CHANG (鄭杏怡) *(HKICS, ICSA)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized representatives	George Chien Cheng LIN (林潔誠) Flat 23A, Monmouth Villa No. 3 Monmouth Terrace Wanchai, Hong Kong Ms. Florence Hang Yee CHANG (鄭杏怡) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Walter Teh-Ming KWAUK (郭德明) *(Chairman)* William Robert KELLER Lian Yong CHEN (陳連勇)
Remuneration Committee	William Robert KELLER *(Chairman)* Walter Teh-Ming KWAUK (郭德明) Lian Yong CHEN (陳連勇)
Nomination Committee	Robert Taylor NELSEN *(Chairman)* Junling LIU (劉峻嶺) William Robert KELLER
Strategy Committee	Li CHEN (陳力) *(Chairman)* Robert Taylor NELSEN Junling LIU (劉峻嶺)

Cayman Islands share registrar	**Maples Fund Services (Cayman) Limited** PO Box 1093 Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	*In Hong Kong:* **The Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong **Standard Chartered Bank (Hong Kong) Limited** 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong *In the PRC:* **China Construction Bank Corporation, Shanghai Zhangjiang Sub-branch** No.232 Ke Yuan Road Shanghai China

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan (the "F&S Report")[1], which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (except Frost & Sullivan) nor representation is given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of PRC. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the F&S Report that would qualify, contradict or have a material impact on the information in this section.

Diabetes is a chronic condition that occurs when there are abnormally elevated levels of glucose in the blood, a condition known as hyperglycemia. Type 1 diabetes occurs when the body cannot produce the hormone insulin, which is required to control blood glucose levels, and Type 2 diabetes results when the body cannot produce enough insulin or use insulin effectively. Worldwide, there were approximately 453 million diabetics, of which approximately 95%, or 435 million, had Type 2 diabetes in 2017, and the number of Type 2 diabetics is expected to grow to approximately 561 million by 2028, according to Frost & Sullivan. If left untreated, hyperglycemia can cause damage to various body organs over the long term, leading to the development of debilitating and potentially fatal health complications such as loss of vision, peripheral neuropathy, impaired kidney function, cardiovascular disease and stroke. Frost & Sullivan estimates that 45.8% of people with Type 2 diabetes globally were undiagnosed in 2017. According to the American Diabetes Association, Type 2 diabetes is an epidemic requiring global attention and urgent action.

China currently has the largest population of Type 2 diabetics, with 120 million patients in 2017. This number is expected to grow to 160 million patients by 2028, according to Frost & Sullivan. In 2017, 52.3% of the total Type 2 diabetic population in China was undiagnosed. The United States had 30 million Type 2 diabetic patients in 2017, which is expected to grow to 34 million patients in 2028. In 2017, 22.4% of the total Type 2 diabetic population in the United States was undiagnosed.

(1) *The contract sum to Frost & Sullivan is RMB480,000 for the preparation and use of the F&S Report. Frost & Sullivan is an independent global market research and consulting firm which was founded in 1961 in New York, providing services such as market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. In preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry; the PRC healthcare market will grow as expected due to rising healthcare demand and supply; and the PRC government will continue to support healthcare reform, and based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. It also conducted analysis on projected figures based on historical data, macroeconomic data and specific industry related drivers.*

Diabetes imposes a large economic burden on the global healthcare system. This burden can be measured through direct medical costs, which include expenditures for preventing and treating diabetes and its complications comprising outpatient and emergency care, inpatient hospital care, medications and medical supplies such as injection devices and self-monitoring consumables and long-term care. According to Frost & Sullivan, the global total healthcare expenditure for diabetes was $850 billion in 2017.

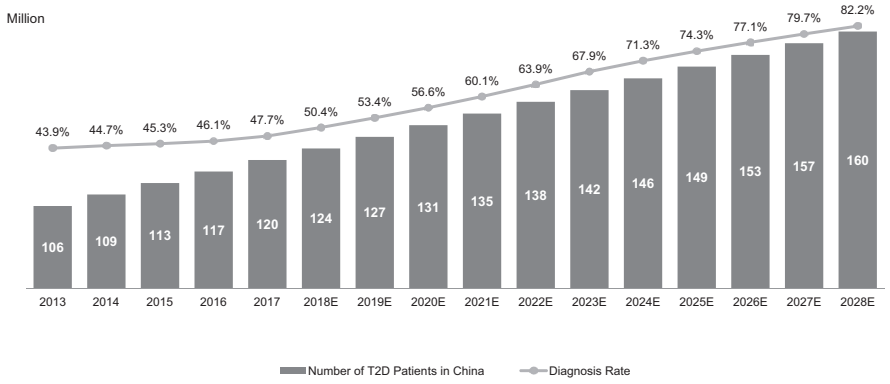
The classic hallmarks of Type 2 diabetes are (i) the progressive destruction, or functional impairment, of the β-cells (beta-cells) located in the pancreas responsible for the production of insulin (as measured by a disposition index, or DI) and (ii) the body's increasing resistance, or de-sensitivity, to insulin (as measured by homeostasis model assessment-insulin resistance, or HOMA-IR).

Market Overview

Number of Type 2 Diabetics and Diagnosis Rate in China, 2013-2028E

The number of Type 2 diabetics in China continues to grow. The number of Type 2 diabetics increased from 106 million to 120 million from 2013 to 2017 and is forecasted to reach 160 million by 2028, in line with an increase in population mean age, unhealthy diet and lack of physical activity.

Furthermore, with improvements in the social healthcare insurance system, increased healthcare expenditures and the growth of healthcare awareness, the diagnosis rate has increased from 43.9% to 47.7% from 2013 to 2017. The diagnosis rate is expected to reach 82.2% in 2028 reflecting government policies aimed at increasing diagnosis and treatment of Type 2 diabetes.

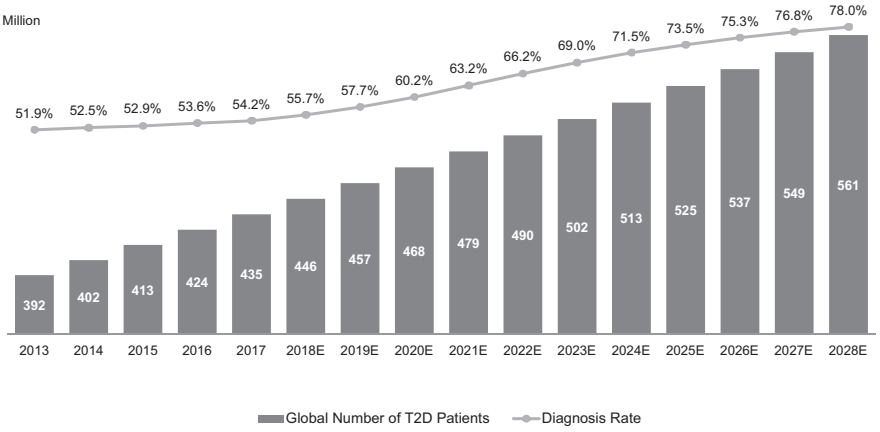


Source: WHO, IDF, ADA, Frost & Sullivan analysis

Global Number of Type 2 Diabetics and Diagnosis Rate, 2013-2028E

Worldwide, most diabetics live in developing countries. Dramatic changes in lifestyle and an aging population have increased the prevalence of diabetes, with the number of Type 2 diabetics rising steadily from 392 million in 2013 to 435 million in 2017, according to Frost and Sullivan. The number of diabetics worldwide is estimated to grow to 561 million in 2028, according to Frost and Sullivan.

As the result of the global economy developing, the diagnosis rate has increased from 51.9% in 2013 to 54.2% in 2017. In addition, as a result of improving health awareness due to the economic development worldwide and rising diagnosis rates from emerging markets such as China, the diagnosis rate is expected to grow to 78.0% by 2028.



Source: WHO, IDF, ADA, Frost & Sullivan analysis

The number of Type 2 diabetics in the United States has grown modestly from approximately 28 million to approximately 30 million between 2013 and 2017 and is expected to reach approximately 34 million by 2028, in line with an aging population and expected long-term affluent lifestyle.

China Anti-diabetics Market, 2013-2028E

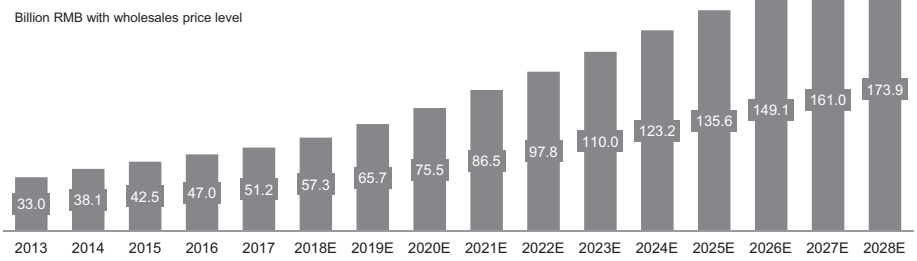
China has the largest diabetic population, which is expected to grow. Anti-diabetics in the China market are mostly traditional drugs and sales revenue from newer emerging drug categories such as DPP-4, GLP-1 and SGLT-2 inhibitors is still relatively small.

With the rising incomes of diabetes patients, the expansion of the national medical insurance system and the continued launch of innovative anti-diabetics, the China anti-diabetics market is projected to grow from RMB51.2 billion in 2017 to RMB97.8 billion (approximately US$15 billion)

in 2022 and to RMB173.9 billion (approximately US$27 billion) in 2028, while the U.S. market is projected to grow to US$45.4 billion in 2022 to $65.6 billion in 2028.

China Anti-diabetics Market, 2013-2028E

	Growth Rate
CAGR (2013-2017)	11.6%
CAGR (2017-2022E)	13.8%
CAGR (2022e-2028E)	10.1%



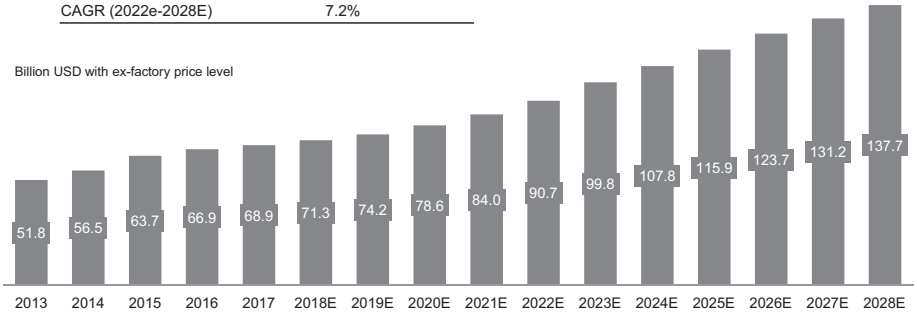
Source: Annual report, EvaluatePharma, IDF, Frost & Sullivan database, Frost & Sullivan analysis

Global Anti-diabetics Market, 2013-2028E

The global anti-diabetics market reached US$68.9 billion in 2017, with a CAGR of 7.4% from 2013 to 2017. The market will continue to grow and evolve with continued innovation, disease prevalence and wider adoption of insulin biosimilars in major developed markets. The global anti-diabetics market is expected to grow from US$68.9 billion in 2017 to US$90.7 billion in 2022 and to US$137.7 billion in 2028.

Global Anti-diabetics Market, 2013-2028E

	Growth Rate
CAGR (2013-2017)	7.4%
CAGR (2017-2022E)	5.6%
CAGR (2022e-2028E)	7.2%



Source: Annual report, EvaluatePharma, IDF, Frost & Sullivan database, Frost & Sullivan analysis

Market Drivers and Trends

Coverage of Type 2 Diabetes Drugs in the National Reimbursement Drug List (NRDL) in China

In China, List A Drugs (甲類藥) are subject to full reimbursement by public medical insurance, while List B Drugs (乙類藥) only receive partial reimbursement. Four List A drugs and nine List B drugs for diabetes treatment have been newly included in the list. In addition to insulin, a total of eight antidiabetic drugs were newly added in the 2017 NRDL.

In the past, it took several years for new drugs to be included in the NRDL. In the Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》2017), the PRC government proposed the establishment of a negotiating mechanism for medical insurance drug payment standards, and incorporation of new drugs into the NRDL coverage to support the development of innovative drugs. As a result, innovative diabetes drugs could be incorporated into the NRDL on a timelier basis.

For a discussion of the system for drug reimbursement in the PRC, see "Regulatory Overview — Chronic Diseases Prevention and Treatment — Medical Insurance Catalogue."

Additional Favorable Trends in China for Type 2 Diabetes Drugs

According to Frost & Sullivan, additional trends that favor the market in China for Type 2 diabetes drugs include:

Growing Patient Population	Rapid urbanization resulting in increasing numbers of Chinese with unhealthy diets and increasingly sedentary lifestyles, which have led to a high prevalence of obesity. Moreover, China is an aging society, with the population aged above 65 reaching 158.3 million in 2017, accounting for 11.4% of the total population. The number of individuals aged above 65 years old is expected to grow, which would greatly increase the diabetes patient pool and consequently the number of Type 2 diabetics.
Improving Affordability	Chinese disposable incomes have grown rapidly, increasing from RMB18,310.8 in 2013 to RMB25,974.0 in 2017. This trend is expected to continue, enhancing the willingness and ability of patients to pay for medications. In addition, in the latest version of the NRDL, a total of 36 drugs for diabetes are included and 24 of them are for treatment of Type 2 diabetes specifically. The government has implemented the dynamic drug list plan, which we expect would include more innovative drugs for Type 2 diabetes treatment.

Favorable Policy Towards Chronic Diseases	The Medium-and Long-term plan for Chronic Disease Prevention and Treatment in China (2017-2025) 《中國防治慢性病中長期規劃（2017-2025年）》 targets treatment of 40 million diabetics by 2025. In the healthcare reform, a hierarchical healthcare system is established to enhance the management of chronic diseases such as diabetes. The system emphasizes the division of treatment of urgent and chronic diseases (急慢分治) and incentivizes the treatment of chronic diseases in primary healthcare institutions for better accessibility and convenience. We expect these policies to increase the number of diabetics receiving regular treatment.
Treatment Innovation	Diabetes as a chronic disease requires long-term medication and frequent blood glucose monitoring. Innovative drugs with novel targets, such as glucokinase and glucagon receptors, to address the unmet clinical need of Type 2 diabetes are emerging. Medications with better efficacy could significantly drive the expansion of the pharmaceutical market in China.

Treatment Analysis of Type 2 Diabetes in China and the United States

During the early stages of Type 2 diabetes, patients can control blood glucose levels by changing their diet, exercising and taking oral glucose-lowering drugs (such as metformin and α-glucosidase inhibitors). However, after 10 to 20 years, almost all patients with Type 2 diabetes will need insulin as they gradually lose most of the β-cells in the pancreas that produce insulin. As a result, between 30% and 40% of people with Type 2 diabetes on anti-diabetic medications take insulin.

Treatment of Type 2 Diabetes in China

In China, there is no clear first line of care. Metformin is recommended as a primary treatment, and insulin secretagogues (such as sulfonylurea or a glinide) or an α-glucosidase inhibitor (acarbose) is used as the first line of treatments only when metformin is not tolerated, based upon the physician's assessment of the patient's specific profile. If glycemic control is not achieved, the patient proceeds to dual therapy involving a second oral drug or injectable drug such as a GLP-1 receptor agonist or insulin.

Treatment of Type 2 Diabetes in the United States

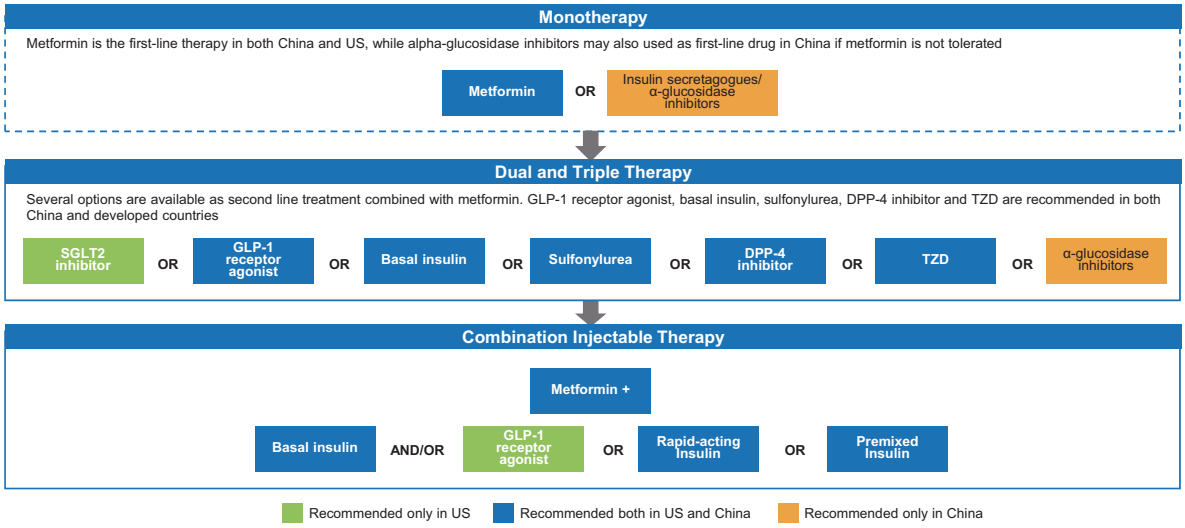
In contrast, in the United States, metformin monotherapy is the first therapy following a diagnosis of Type 2 diabetes unless there are contraindications. If the HbA1c target is not achieved after approximately three months of monotherapy, the patient proceeds to dual therapy. If the HbAlc target is not achieved after three more months, the patient proceeds to triple therapy, and if the HbAlc target is not achieved after approximately three months of triple therapy, the patient proceeds to combination injectable therapy.

Competitive Landscape

Comparison of Medications of Type 2 Diabetes in China and the United States

A comparison of Type 2 diabetes medications in China and in the United States is illustrated below. One major difference is that α-glucosidase inhibitors are still used as first-line therapy if metformin is not tolerated in China, whereas in the United States, α-glucosidase inhibitors are less common.

SGLT-2 inhibitors are not included in the treatment guidelines in China. In addition, GLP-1 receptor agonists are only recommended as a combination injectable therapy in the United States.



Source: CMA (The Chinese Medical Association) ADA, Frost & Sullivan analysis

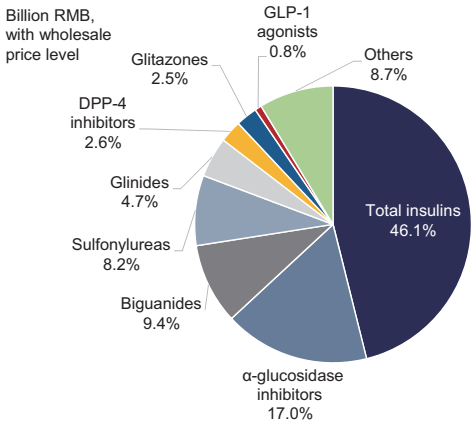
Type 2 Diabetes Drugs Used in the United States and China

U.S. and China Anti-diabetics Market by Drug Category, 2017

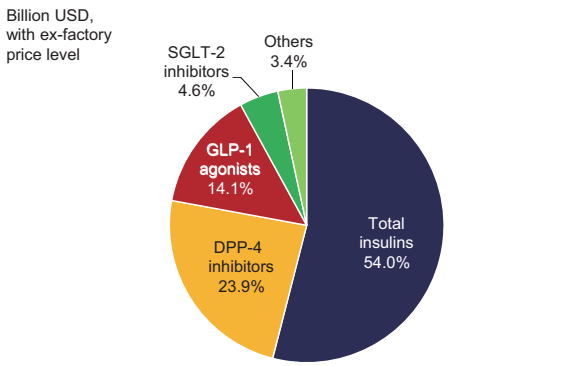
Insulin has the largest share in the anti-diabetics market of both China and the United States, with a market share of 46.1% and 54.0%, respectively. α-glucosidase inhibitors and biguanides (metformin) also have significant market share in China due to their affordable prices, excellent hypoglycemic effect, and effect of reducing postprandial blood glucose, as well as extra clinical

benefits such as reducing cardiovascular disease risks. Other than insulin, the top 3 anti-diabetic drugs in the U.S. market in terms of sales are DPP-4 inhibitors and GLP-1 agonists as well as SGLT-2 inhibitors, with a total share of 42.6% by revenue.

Breakdown of China Anti-diabetics Market, 2017



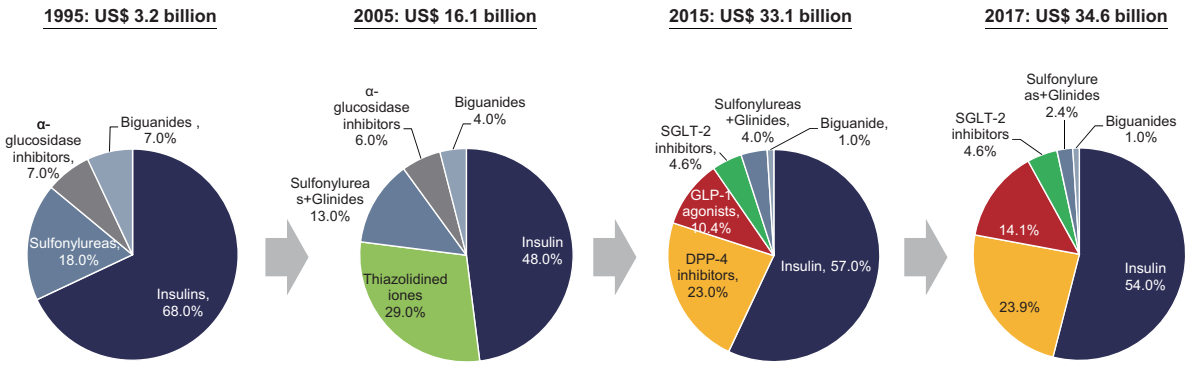
Breakdown of US Anti-diabetics Market, 2017



Source: Annual report, EvaluatePharma, IDF, Frost & Sullivan database, Frost & Sullivan analysis

Historical U.S. Anti-diabetics Market by Drug Category since 1995

Insulin had the largest market share of anti-diabetic drugs in the period from 1995 to 2017. However, with new anti-diabetic drugs entering market in recent years, traditional anti-diabetics have lost market share continuously, with sulfonylurea combined with glinide and biguanide accounting for only 2.4% and 1.0% in 2017, respectively. This demonstrates that innovative drugs with good efficacy have made rapid gains in market share.



Source: Annual report, EvaluatePharma, IDF, Frost & Sullivan database, Frost & Sullivan analysis

Daily Costs and Reimbursement Rates of Primary Anti-diabetics in China

All of the primary anti-diabetics by revenue in China market are found on the NRDL and are reimbursable drugs, with five categorized as List A, which are free for diabetes patients. The rest are categorized as List B, which requires an out-of-pocket payment of 20%-30%.

Brand Name	Generic Name	Drug Specification	Average Daily Cost (RMB)	NRDL Category	Reimbursable Rate
Glucobay	Acarbose	30x50mg	12.6	ListA	100%
Novomix 30	InsulinAspart 30	3ml:300U	6.5	ListB	70%-80%
Lantus	Insulin Glargine	3ml:300U	17.5	ListB	70%-80%
Novolin 30R	Insulin isophane 30	3ml:300U	4.8	ListA	100%
ChangXiu Lin	Recombinant Insulin Glargine	3ml:300U	13.8	ListB	70%-80%
Ka Bo Ping	Acarbose	30x50mg	8.5	ListA	100%
Glucophage	Metformin	30x0.5g	3.0	ListA	100%
Novonorm	Repaglinide	30x1mg	4.1	ListB	70%-80%
Novorapid	InsulinAspart	3ml:300U	7.4	ListB	70%-80%
Amaryl	Glimepiride	15x2mg	4.3	ListA	100%
Victoza	Liraglutide	3ml:18mg	27.3 (1.2mg/day) 41.0 (1.8mg/day)	ListB	70%-80%
Januvia	Sitagliptin	14x100mg	7.6	ListB	70%-80%
Forxiga	Dapaglitlozin	14x10mg	16.3	—	—
Byetta	Exenatide	60x10μg 60x5μg	57.8 (20ug/day) 48.3 (10ug/day)	—	—

Source: Frost & Sullivan analysis

Daily Costs of Primary Anti-diabetics by Revenue in the United States.

The following table reflects the daily costs of the primary anti-diabetics in the United States.

Brand Name	Generic Name	Drug Specification	Retail Price in 2017, USD	Average Daily Cost (USD)
Lantus	Insulin Glargine	5x3ml:300U	481.8	9.2
Victoza	Liraglutide	3x3ml:18mg	993.7	11.0
Januvia	Sitagliptin	30x100mg	531.2	17.7
Humalog	Recombinant Insulin Lispro	5x3ml:300U	550.5	10.5
Trulicity	Dulaglutide	4x0.5ml:1.5mg	822.8	29.3
Novorapid	Insulin Aspart	5x3ml:300U	552.3	10.5
Levemir	Insulin Detemir	5x3ml:300U	513.6	9.8
lnvokana	Canagliflozin	30x300mg	569.2	6.3
Janumet	Sitagliptin	60x 50mg:1000mg	547.8	18.3
Farxiga	Dapagliflozin	30x10mg	564.8	18.8

Source: Frost & Sullivan analysis

Composite Endpoints

Historically, standards of care for Type 2 diabetes patients emphasized the need to reduce HbA1c levels. However, current treatment guidelines now include recommendations to achieve composite endpoints including no weight gain, no hypoglycemia and reduced HbA1c. The following table sets forth the achievement of composite endpoints from baseline for the Type 2 oral and injectable diabetes drugs indicated.

	Proportion of patients achieving:				Change from baseline to 26 weeks (LS means, LOCF, ITT)[#]	
Drug/dose	**HbA1c <7.0%**	**HbA1c <7.0%, no weight gain, no hypoglycemia**	**HbA1c <7.0%, no weight gain**	**HbA1c <7.0%, no hypoglycemia***	**HbA1c (%)**	**Weight (kg)**
Injectible						
Liraglutide 1.8 mg (GLP-1)	65%	40%	50%	51%	-1.15	-2.27
Liraglutide 1.2 mg (GLP-1)	56%	32%	39%	43%	-1.05	-1.69
Glargine (insulin analogue)	53%	15%	16%	48%	-0.88	1.14
Exenatide (GLP-1)	45%	25%	32%	34%	-0.81	-1.78
Oral						
Sulphonylurea	48%	8%	15%	33%	-0.86	1.65
Thiazolidinedione	34%	6%	9%	23%	-0.54	0.29
Sitagliptin (DPP-4)	30%	11%	17%	21%	-0.64	-0.29
Placebo	18%	8%	11%	12%	-0.01	-0.85

[#] *ITT, intent to treat; LOCF, last observation carried forward; LS, least squares. *$p < 0.05$ liraglutide 1.8 mg versus all comparators but glargine.*

Source: Diabetes, Obesity and Metabolism, Volume 14, pages 77 to 82, 2012 by B.Zinman, W.E. Schmidt and others

Pipeline for New Treatments of Type 2 Diabetes

The following table sets forth the pipeline of potential new treatments for Type 2 diabetes other than those focused on glucokinase activators, or GKAs.

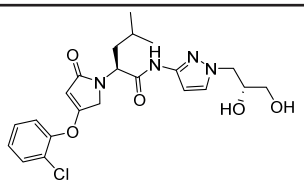
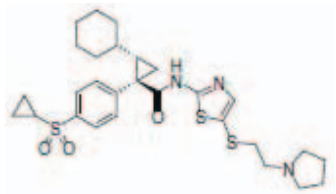
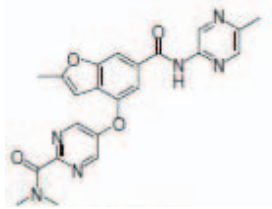
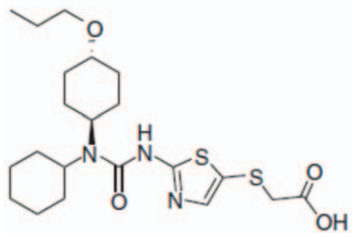
Target	Mechanism of Action	Candidates	Company	Current Status
GPR40	G-protein-coupled receptors (GPCR), are a superfamily of the largest class of cell surface receptors expressed in the pancreatic islets, some of which are thought to be involved in energy homeostasis and in the regulation of islet function. GPCRs can be modulated by several factors to optimize insulin secretion to manage glucose.	JTT-851	Japan Tobacco	Phase II in US completed
		P11187	Piramal	Phase I in US
		SHR0534	Hengrui	Phase I in China completed
		LY2922470	Eli Lilly	Phase I in US and Singapore completed
GPR119		PSN821	Prosidion	Phase II in South Africa completed
		LEZ763	Novartis	Phase II in US completed
		DS8500	Daiichi Sankyo Company	Phase II in US and Japan
		BMS903452	Bristol-Myers Squibb	Phase I in US completed
AMPK	AMP-activated protein kinase (AMPK) is expressed in the liver, brain, and muscles, and maintain the energy balance of cells. Activation of AMPK enhances insulin sensitivity, stimulates glucose uptake in muscles and adipose tissues, and inhibits glucose production in the liver.	Imeglimin	Poxel	Phase I in UK completed Phase II in Latvia completed
		Bempedoic acid	Esperion Therapeutics	Phase III in US completed
Oral GLP-1	Oral version Oral GLP-1 agonists enhance glucose-dependent insulin secretion and suppresses inappropriately elevated glucagon levels, both in fasting and postprandial states, and slows gastric emptying.	Ozempic(Oral)	Novo Nordisk	Phase III completed in 18 countries including US and Japan etc.
		TTP-273(GLP-1r)	vTv Therapeutics/ EastChinaPharma	Phase II in US completed Licensed in China
		ORMD-0901	Oramed	Phase Ib in US completed

Target	Mechanism of Action	Candidates	Company	Current Status
Oral Insulin	Oral version Oral insulin lowers the glucose concentration in plasma by increasing glucose utilization by tissues and by diminishing glucose production by the liver.	Oral HDV Insulin	Diasome	Phase II
		ORMD-0801	Oramed	Phase II in US completed Phase II in Israel
		Oshadi Lcp	Oshadi Drug Administration	Phase II in Israel completed
SGLT-2	SGLT2 inhibitors are a class of medications that inhibit reabsorption of glucose in the kidney and therefore lower blood glucose.	Henagliflozin	HengRui	Phase III in China
		Sotagliflozin	Sanofi	IND application in China under review NDA review in EU and US for T1D
PPAR	PPAR agonists activate PPAR to increase storage of fatty acids and make cells more dependent on glucose.	Chiglitazar	Chipscreen	Phase III in China completed

Source: Company website, ClinicalTrials.gov, Frost & Sullivan Analysis

Pipeline for GKAs in Development

The following table sets forth the development status of GKAs.

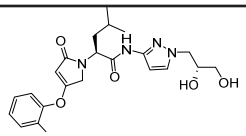
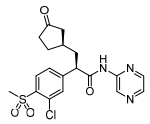
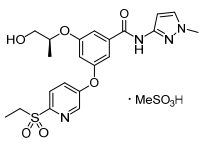
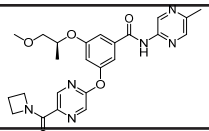
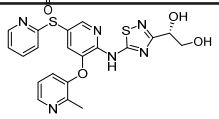
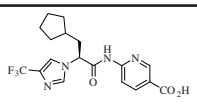
Candidates	Company	Chemical Structure	Current Status
HMS5552	Hua Medicine		Phase III in China Phase II Proof-of-concept completed in China Phase I in US completed
ADV-1002401	Advinus	Not publicly available	Phase II in India
TMG-123	Teijin	Not publicly available	Phase II in Japan
LY2608204 (Globalagliatin)	Eli Lilly/Yabao		Phase II in US discontinued, Phase I in China
PF-04937319	Pfizer/PegBio		Phase II in US completed, Phase I in Japan and Singapore completed, IND application in China under review
TTP399(GKI-399)	VTV		Phase II in US completed

Source: Company website, ClinicalTrials.gov, Frost & Sullivan analysis

Entry Barriers

History of GKAs in Phase II Clinical Trials

GKAs in clinical development can be classified as either dual acting (acting both in the pancreas and liver) or liver selective. Among the dual acting class of GKAs, they can be further classified as fully activated or partially activated. Except for Dorzagliatin, a dual acting, fully activated GKA, no GKA has ever advanced past Phase II clinical trials successfully and advanced to Phase III clinical trials. The flaws discovered in past GKA candidates primarily result from each specific candidate's unique chemical structure, which then has led to fundamental issues such as insufficient efficacy, heightened risk of hypoglycemia (dangerously low blood glucose levels), dyslipidemia (abnormal lipid levels) and/or liver toxicity.

Compound (Sponsor) / Profile	Chemical Structure	Key Reasons for Clinical Study Termination	Time Frame for Phase II
Dorzagliatin (Hua) Dual Acting/ Full Activation		Not applicable	12 weeks
RO4389620/ Piragliatin (Roche) **Dual Acting / Full Activation**		The main reason for termination of Piragliatin was the finding that it generated large amounts of unexpected human metabolites in its Phase II trial. The cause for the accumulation of human metabolites was believed to be related to its chemical structure which would cause damaged or inflamed liver cells and is reflected by the elevated liver enzyme levels.	12 weeks
MK-0941 (Merck) **Dual Acting / Full Activation**		Summary results from the Phase II trial included improvements in glycemic control that were not sustained, an increased incidence of hypoglycemia and elevations in triglycerides and blood pressure. Patients enrolled in the study must be Type 2 diabetics who were taking insulin glargine ≥ 15 units/ day at a stable dose for at least six weeks prior to screening with an HbA1c between 7.5% and 11.0%. Study was terminated at week 14 due to lack of sustained glycemic efficacy.	54 weeks(1)
AZD-1656 (Astra Zeneca) **Dual Acting / Partial Activation**		Summary results from study included poor blood sugar control/ poor efficacy and elevated serum triglycerides (increase of 18%-22%)	4 months(2)
AMG 151 / ARRY-403 (Array) **Dual Acting / Full Activation**		Summary results from study included high incidences of hypoglycemia (35.8% in medication arm and 23.5% in placebo arm) and elevated serum triglycerides (increase of 20% when compared with placebo arm).	6 weeks
PF-04991532 (Pfizer) **Liver Selective**		Phase II trial with 750mg once daily dosage over 12 weeks demonstrated moderate HbA1c reduction of 0.7% from baseline, less favorable than Sitagliptin 100mg once daily.	12 weeks

Source: X. Zhu, D. Zhu, X. Li, et al. Diabetes, Obesity and Metabolism 2018; Yu Gang, Research Progress in Glucokinase Activators, Prog Pharm Sco, Mar 2016 40-3

(1) The primary efficacy endpoint was change in HbA1c from baseline at week 14. Due to the high incidences of hypoglycemia observed in earlier clinical trials, the first 2 weeks of the trial post-randomization were to up-titrate the subjects to the selected dosage groups, leaving only the remaining 12 weeks for the subjects to be on a steady dose of the investigation drug.

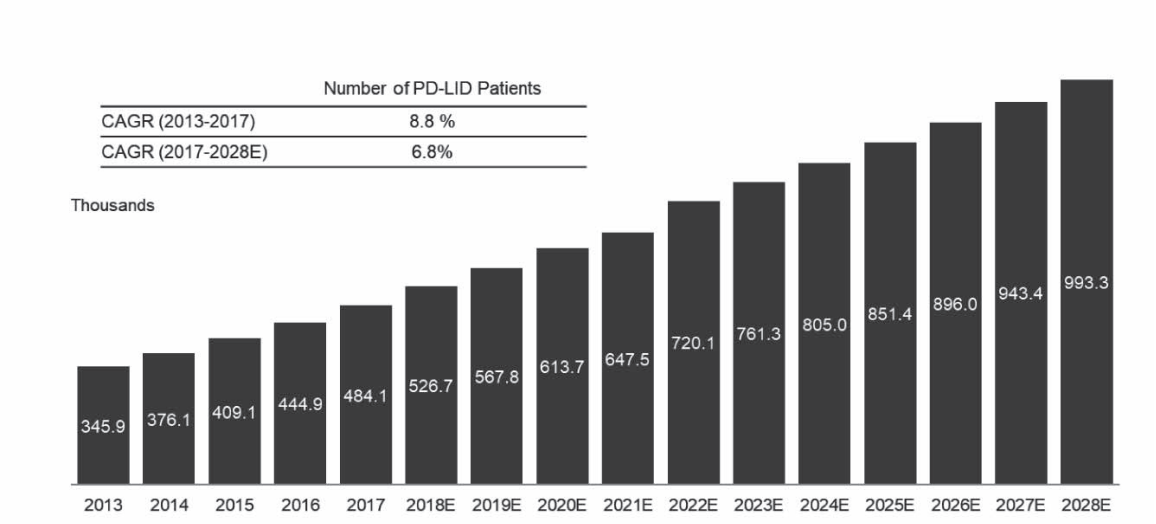
(2) The primary outcome was placebo-corrected change in HbA1c from baseline to 4 months of treatment, with an optional 2 month extension.

PD-LID Market Overview

Parkinson's Disease Levodopa-Induced Dyskinesia (PD-LID) is an adverse effect of levodopa, which is a medication that is widely used in treatment for Parkinson's disease. On average, PD-LID affects 40% of Parkinson's patients after five years of treatment, and 90% of patients by 9 to 15 years of treatment.

The number of PD-LID patients in China has increased from 345.9 thousand in 2013 to 484.1 thousand in 2017, representing a CAGR of 8.8%. The number of PD-LID patients in China is expected to reach 993.3 thousand in 2028, representing a CAGR of 6.8%. The major drivers for these increases include the rapidly increasing prevalence of Parkinson's disease in China due to its aging population and increasing use of levodopa in China as a result of increasing treatment rates for Parkinson's Disease and the addition of levodopa as a reimbursable drug to the NRDL. There is currently no drug available in China for the treatment of PD-LID.

Prevalence of PD-LID in China, 2013-2028E



Source: literature Review, CMA, GBD, Frost & Sullivan analysis

In addition, according to the U.S. National Institutes of Health, about 50,000 people are diagnosed with Parkinson's Disease in the United States each year and about half a million Americans have the disease. Levodopa is currently the mainstay drug therapy for Parkinson's Disease in the United States.

Overview of PRC Regulations

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of companies in China is governed by the PRC Company Law (中華人民共和國公司法), as amended in 2005 and 2013. Under the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. Investments in the PRC by foreign investors are regulated by the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated on April 12, 1986 and amended on October 31, 2000 and September 3, 2016, the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated on October 8, 2016 and amended on and effective from July 30, 2017. Under these laws and regulations, the establishment of a wholly foreign-owned enterprise is subject to the approval of, or the filing with, MOFCOM or its local counterpart and such wholly foreign-owned enterprises must register and file with the appropriate administrative bureau of industry and commerce. We hold approvals from MOFCOM or its local counterpart for our interests in our wholly-owned PRC subsidiaries.

Foreign investment in China is subject to the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (外商投資產業指導目錄(2017年修訂)) effective from July 28, 2017, or the 2017 Catalogue, which comprises the favored foreign-invested industries catalogue and the special access administrative measures for foreign investment, the latter of which sets out restrictions such as shareholding requirements and qualifications of senior management. Foreign investments in business sectors that are not subject to special access administrative measures are only required to complete a filing as opposed to obtaining an approval. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises, the establishment of and changes to foreign-invested enterprises not subject to approval under the special entry management measures shall be filed with the relevant commerce authorities. Additionally, the registration for a PRC Company's establishment, modification, and termination must comply with the provision of Regulation of the People's Republic of China on the Administration of Company Registration (中華人民共和國公司登記管理條例), which was issued by the State Council on February 6, 2016. The industry in which our PRC subsidiaries are primarily engaged does not fall into the category of industries subject to special access administrative measures.

On August 8, 2006, six PRC regulatory agencies, MOFCOM, the State-owned Assets Supervision and Administration Commission of the PRC, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange, or the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Rules, which became effective on September 8, 2006 and were amended by MOFCOM on June 22, 2009. The M&A Rules require, among other things, that a foreign investor (i)

acquiring an equity interest in a non-foreign-invested PRC enterprise or (ii) purchasing and operating the assets of such an enterprise through the establishment of a foreign-invested enterprise must comply with relevant foreign investment industry policies and be subject to approval/filing by MOFCOM or its local counterpart.

Drug Regulatory Regime

We operate our business in China through Hua Shanghai under a legal regime consisting of the Standing Committee of the National People's Congress, the SCNPC, the State Council and several ministries and agencies under its authority including, among others, the CFDA and the National Health and Family Planning Commission of the PRC, or the NHFPC. According to the Institutional Reform Program of the State Council (國務院機構改革方案) promulgated by the PRC National People's Congress on March 17, 2018, or 2018 Institutional Reform, the 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 the CDA, a newly established regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical equipment under the supervision of State Administration for Market Regulation, or the SAMR, a newly established national institution for supervising and administrating the market in China. Neither the CFDA nor the NHFPC will 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 SAMRs are entitled to perform the drug supervision functions such as drug sales and operation. Pursuant to the Program for Deepening the Reform of the Party and the State Institutions (深化黨和國家機構改革方案) promulgated by the Central Committee of the PRC Communist Party on March 21, 2018, the reform of the central and state institutions is expected to be completed before the end of the fiscal year of 2018.

Pharmaceutical Product Development

In the PRC, the China Food and Drug Administration, or the CFDA, monitors and supervises the administration of pharmaceutical products, as well as medical devices and equipment. Local provincial drug administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. Pursuant to the above institutional reform of the State Council in March 2018, CDA has been newly established to carry on CFDA's functions with respect to drug supervision. The PRC Drug Administration Law (中華人民共和國藥品管理法) promulgated by the SCNPC in 1984, as amended in 2001, 2013 and 2015, and the Implementing Measures of the PRC Drug Administration Law (中華人民共和國藥品管理法實施辦法) as promulgated by the Ministry of Health, or the MOH, in 1989, which was replaced by the Implementing Measures of the PRC Drug Administration Law (中華人民共和國藥品管理法實施條例) promulgated by the State Council effective in September 2002 and amended on February 6, 2016, have laid down the legal framework for the administration of pharmaceutical products, including the research, development and manufacturing of new drugs. The PRC Drug Administration Law applies to entities and individuals engaged in the 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 Implementing Measures of the PRC Drug Administration Law serve to provide detailed implementation regulations for the revised PRC Drug Administration Law.

We are required to follow these regulations for non-clinical research, clinical trials and production of new drugs.

Non-Clinical Research and Animal Testing

To improve the quality of non-clinical research, the CFDA promulgated the Administrative Measures for Good Laboratories Practice of Non-clinical Laboratory (藥物非臨床研究質量管理規範) in 2003, which was revised on July 27, 2017, and has conducted Good Laboratories Practice, or GLP Certifications since 2003. In April 2007, the CFDA issued the Circular on Measures for Certification of Good Laboratory Practice for Non-clinical Laboratory (藥物非臨床研究質量管理規範認證管理辦法), or CFDA Circular 214, which provides that the CFDA is responsible for the certification of non-clinical research institutions. Under CFDA Circular 214, the CFDA decides whether an institution is qualified for undertaking pharmaceutical non-clinical research upon the evaluation of the institution's organizational administration, its research personnel, its equipment and facilities and its operation and management of non-clinical pharmaceutical projects. If all requirements are met, a GLP Certification will be issued by the CFDA and the result will be published on the CFDA's website.

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

To date, we have used WuXi AppTec (Suzhou) Co., Ltd. for our non-clinical studies in China. WuXi AppTec (Suzhou) Co., Ltd. holds Certificates for GLP and Use of Laboratory Animals and conducted our studies following GLP based on CFDA requirements.

Clinical Trials and Registration of New Drugs

In July 2007, the CFDA promulgated the Administrative Measures for Drug Registration (藥品註冊管理辦法) which took effect on October 1, 2007, providing the standards and requirements for clinical trials and drug registration applications. According to the Administrative Measures for Drug Registration, drug registration applications are divided into three different types, Domestic New Drug Applications, Domestic Generic Drug Applications, and Imported Drug Applications. Drugs fall into one of three general types divided by working mechanism, including chemical medicine, biological product or traditional Chinese or natural medicine. Pursuant to the Administrative Measures for Drug Registration, the PRC Drug Administration Law and Implementing Measures of the PRC Drug

Administration Law, upon completion of non-clinical research, clinical trials must be conducted for the application of a new drug registration, and research institutions must apply for approval of a Clinical Trial Application, or CTA, from the CFDA, or the Center for Drug Evaluation, or the CDE, as of May 1, 2017, before conducting clinical trials.

Reform of Evaluation and Approval System for Drugs

On August 9, 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (關於改革藥品醫療器械審評審批制度的意見), or the Reform Opinions, which established a framework for reforming the evaluation and approval system for drugs and medical devices and equipment. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs.

In November 2015, the CFDA promulgated the Circular Concerning Several Policies on Drug Registration Review and Approval (關於藥品註冊審評審批若干政策的公告), or the Several Policies Circular, which further clarified the measures and policies regarding simplifying and accelerating the approval process on the basis of the Reform Opinions.

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 Administrative Measures for Drug Registration. Under the Reform Plan, Category 1 drugs are adjusted from "new drugs that have not been marketed within the territory of the PRC" to "new drugs that have not been marketed anywhere in the world". Category 1 drugs can be registered through the Domestic New Drug Application procedures under the Administrative Measures for Drug Registration.

According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定) promulgated on March 17, 2017, and that came into effect as of May 1, 2017, the approval for a CTA can be directly issued by the CDE on behalf of the CFDA.

On October 8, 2017, the General Office of the State Council promulgated the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices and Equipment (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見), or the Deepening Reform Opinions, to further promote the structural adjustment to and technical innovations of drugs and medical devices and equipment.

On December 21, 2017, the CFDA promulgated the Opinions on Encouraging the Prioritized Evaluation and Approval for Drug Innovations (關於鼓勵藥品創新實行優先審評審批的意見), or the Encouraging Opinions, replacing the Opinions on Priority Review and Approval for Resolving Drug Registration Applications Backlog (關於解決藥品註冊申請積壓實行優先審評審批的意見) promulgated in February 2016, which further clarified that a fast track clinical trial approval or drug registration pathway will be available for innovative drugs.

In addition, on May 17, 2018, the CDA and National Health Commission jointly promulgated the Circular on Issues Concerning Optimizing Drug Registration Review and Approval (關於優化藥品註冊審評審批有關事宜的公告), which further simplified and accelerated the clinical trial approval process.

Special Examination and Fast Track Approval for Category 1 Drugs under Current Reform Frame

According to the Provisions on the Administration of Special Examination and Approval of Registration of New Drugs (新藥註冊特殊審批管理規定) promulgated by the CFDA in January 2009, the CFDA conducts special examination and approval for new drug registration applications when, among others, (1) the effective constituent of a 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, or (2) the chemical raw materials for medicines as well as the preparations thereof and the biological product have not been approved for marketing, either in China or abroad. The Provisions on the Administration of Special Examination and Approval of Registration of New Drugs provide that the applicant may file for special examination and approval at the CTA stage if the drug candidate falls within items (1) or (2).

On November 11, 2015, the Several Policies Circular further clarified this policy, potentially simplifying and accelerating the approval process of clinical trials under the following reform framework: (1) a one-time umbrella approval procedure allowing the comprehensive 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' CTAs, and (2) a fast track drug registration or clinical trial approval pathway for certain types of drug applications.

In addition, on December 21, 2017, the Encouraging Opinions further clarified that a fast track clinical trial approval or drug registration pathway will be available to both innovative drugs with distinctive clinical benefits which have not been sold within or outside China as well as drugs using advanced technology, innovative treatment methods or having distinctive treatment advantages.

The Reform Opinions promulgated in 2015 provide that the composition of the examiner team of the CDE shall be strengthened by, among others, (1) recruiting professional evaluation talent from the public as contractors, (2) engaging relevant experts to participate in professional examination and evaluation, and (3) establishing a system of chief professional positions. The Encouraging Opinions further emphasized the improvement of the examination and evaluation system which requires the establishment of a new drug examination and evaluation team comprising professionals specialized in clinical medicine, pharmaceutical sciences, pharmacology, toxicology and statistics. As a result, since 2015, the CFDA and the CDE have started a large-scale expansion of examiners which could greatly accelerate new drug approval in the PRC.

Under the Administrative Measures for Drug Registration, a Category 1 drug refers to a new drug that has never been marketed in any country. We believe that our current drug candidates fall within Category 1 and that we may file an application for special examination and approval at the CTA stage, which may enable us to pursue an expedited path to approval in China and bring therapies to patients more quickly.

Four Phases of Clinical Trials

According to the Administrative Measures for Drug Registration, a clinical development program consists of Phases I, II, III and IV. Phase I refers to the initial clinical pharmacology and safety evaluation studies in humans. Phase II refers to the preliminary evaluation of a drug candidate's therapeutic effectiveness and safety for particular indications in patients, to provide evidence and support for the design of Phase III clinical trials and to settle the administrative dose regimen. Phase III refers to clinical trials undertaken to confirm the therapeutic effectiveness of a drug. Phase III is used to further verify the drug's therapeutic effectiveness and safety on patients with target indications, to evaluate the overall benefit-risk relationships of the drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug's post-marketing study to assess therapeutic effectiveness and adverse reactions when the drug is widely used, to evaluate the overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose.

Pursuant to the Several Policies Circular, the CDE grants a one-time approval for clinical trial applications for new drugs and does not require separate declarations, reviews or approvals for the subsequent phases of clinical trials. The CDE review focuses on the scientific nature of the clinical trial protocols and the control of safety risks to ensure patient safety. Applicants must promptly communicate with the CDE, to resolve problems during clinical trials and make a supplementary report on the latest research materials as the relevant reviewer requires. Upon the completion of Phase I and Phase II clinical trials, the applicant must submit trial results and the clinical trial protocol for the next phase in a timely manner. Where there is no safety problem, applicants can proceed to Phase III clinical trials after discussion with the CDE. The applicants must report serious adverse events that occur during the clinical trials and submit annual research reports. Where clinical trial risks cannot be controlled, the clinical trials must be stopped immediately.

On June 2, 2016, the CFDA promulgated the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (trial) (藥物研發與技術審評溝通交流管理辦法(試行)), or the Communication Measure, which provides that communication meetings between the applicants and the CDE can be classified into three types. Type I communication meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II communication meetings are convened in key research and development periods of innovative drugs, mainly including (i) meetings before the application for Phase I clinical trials, (ii) meetings upon the completion of Phase II trials and before the Phase III trial begins, (iii) meetings before submitting a marketing application for a new drug and (iv) meetings for risk evaluation and control. Type III communication meetings refer to other kinds of meetings. Pursuant to the Communication Measure, applicants must prepare meeting minutes promptly, and after the technical review project leader reviews and confirms the meeting minutes, project management personnel must send the meeting minutes to the drug registrar of the CDA within 30 days after the meeting. The minutes of the meeting are archived as important documents and serve as an important basis for drug development, review and approval.

On July 24, 2018, the CDA promulgated the Announcement on Adjusting the Evaluation and Approval Procedures for Drug Clinical Trials(關於調整藥物臨床試驗審評審批程序的公告), which provides that, within 60 days after acceptance of and charging the fees for clinical trial application,

the applicant may conduct clinical trial in accordance with the clinical trial protocol submitted if no negative or questioned opinion is received from the CDE. The minutes of the communication meetings between the applicants and the CDE are archived as review and approval documents and serve as a reference for review and approval.

We have conducted four Type II meetings with the CDE in May 2016, November 2016, December 2016, and October 2017 after we completed our Phase II clinical trial. See "Business—Material Communications with the CFDA."

We have already completed seven Phase I trials and one Phase II trial in China for Dorzagliatin and we are currently enrolling patients for two Phase III trials in China with Dorzagliatin as a monotherapy and in combination with metformin.

Sampling and Collecting Human Genetic Resources Filing

On June 10, 1998, the Ministry of Science and Technology and the Ministry of Health promulgated the Interim Administrative Measures on Human Genetic Resources (人類遺傳資源管理暫行辦法), which established the rules for protecting and utilizing human genetic resources in the PRC. On July 2, 2015, the Ministry of Science and Technology issued the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南), which became effective on October 1, 2015 according to the Circular on Implementing the Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources (關於實施人類遺傳資源採集、收集、買賣、出口、出境行政許可的通知), which clarified that the sampling and collection of human genetic resources though clinical trials by a foreign-invested sponsor shall be required to be filed with the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry of Science and Technology promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (關於優化人類遺傳資源行政審批流程的通知) simplifying the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

We and our clinical trial institutions have filed with the China Human Genetic Resources Management Office for our ongoing Dorzagliatin Phase III trials.

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), or GCP Administration, in August 2003, which aims to ensure standard clinical trial which will deliver scientific and reliable results, and protect the rights, interests and safety of human subjects. 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)), which provides that the CFDA is responsible for certification of clinical trial institutions, and that the National Health and Family Planning Commission of the PRC, formerly known as the Ministry of Health, 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 will 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. Pursuant to the Deepening Reform Opinions, the accreditation of the institutions for drug clinical trials shall be subject to record-filing administration. The conduct of clinical trials must adhere to the GCP and the protocols approved by the ethics committees of each study site.

To date, we have only used CFDA certified GCP clinical trial institutions to conduct trials following GCP based on CFDA requirements.

On July 17, 2018, the SAMR released the Revised Administration of Quality of Drug Clinical Practice (Draft for Comments) (藥物臨床試驗質量管理規範(修訂草案徵求意見稿)) (the "New Practice") to seek comments from the public, which as compared to current GCP Administration, mainly includes the following key highlights:

- GCP Administration is applicable to the clinical trial of drugs for registration purposes, and clinical trials for other purposes may refer to GCP Administration;

- the rights and safety of the subjects shall be the primary factor to be considered, giving priority over scientific and social benefits;

- ethical review and informed consent shall be the main measures to protect the rights of the subjects;

- a quality management system shall be established for clinical trial purposes; and

- investigators and their family members (including spouse and children) shall avoid the following material conflicts of interests: receiving a fee of more than RMB20,000 which are not directly related to clinical trials from the sponsor within one year or in the next year, holding shares or stocks in the sponsor, holding the intellectual property of the clinical trial products or technology, or holding senior positions in the sponsor.

The consultation period ended on August 16, 2018. If implemented, the New Practice will replace the current GCP Administration.

Drug Clinical Trial Registration

Pursuant to the Administrative Measures for Drug Registration, upon obtaining approval of its CTA and before conducting a clinical trial, an applicant shall file a registration form with the CFDA containing various details, including the clinical study protocol, the name of the principal researcher of the leading institution, names of participating institutions and researchers, an approval letter from

the ethics committee, and a sample of the Informed Consent Form, with a copy sent to the competent provincial administration departments where the trial institutions will be located. On September 6, 2013, the CFDA published the Announcement on Drug Clinical Trial Information Platform (關於藥物臨床試驗信息平台的公告), providing that, instead of the aforementioned registration filed with the CFDA, all clinical trials approved by the CFDA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of CTA in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrollment in the trial. If the registration is not completed within one year after the approval of CTA, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of CTA shall automatically expire.

We have completed clinical trial registrations through the Drug Clinical Trial Information Platform for our eight clinical trials conducted in China.

Good Manufacturing Practice

Pursuant to the Administrative Measures for Drug Registration, all facilities and techniques used in the manufacture of drug samples for clinical trial use in the PRC must conform to GMP guidelines as established by the CFDA. The drug samples for our Dorzagliatin clinical trials have been manufactured by Shanghai SynTheAll Pharmaceuticals Co., Ltd. and Shanghai Desano Bio-Pharmaceutical Co., Ltd., the CFDA certified GMP manufacturers.

New Drug Application

Pursuant to the Administrative Measures for Drug Registration, when Phases I, II and III of clinical trials have been completed, the applicant may apply to the CFDA for approval of a new drug application, or the NDA. The CFDA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE of the CFDA. We must obtain approval of an NDA before our drugs can be manufactured and sold in the China market.

International Multi-Center Clinical Trials Regulations

On January 30, 2015, the CFDA promulgated the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (國際多中心藥物臨床試驗指南(試行)), or the Multi-Center Clinical Trial Guidelines, effective as of March 1, 2015, to provide guidance for the regulation of application, implementation and administration of international multi-center clinical trials in China. Pursuant to the Multi-Center Clinical Trial Guidelines, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicant plans to make use of the data derived from the international multi-center clinical trials for application to CFDA for approval of an NDA, such international multi-center clinical trials shall satisfy, in addition to the requirements set forth in the PRC Drug Administration Law and its implementation measures, the Administrative Measures for Drug Registration and relevant laws and regulations.

Pursuant to the Deepening Reform Opinions, the clinical trial data obtained from foreign centers may be used to apply for registration in China if they meet the relevant requirements for the registration of drugs and medical devices in China. The applicant for new drug registration shall provide the clinical trial data on racial difference, if any.

Pilot Plan for the Marketing Authorization Holder System

Pursuant to the Reform Opinions in 2015, the State Council published a policy of carrying out a pilot plan for the drug marketing authorization holder mechanism, or the MAH System. Under the authorization of the Standing Committee of the National People's Congress, the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder Mechanism (藥品上市許可持有人制度試點方案) on May 26, 2016, which provides a detailed pilot plan for the MAH System, for drugs in 10 provinces in China. Under the MAH System, domestic drug research and development institutions and individuals in the pilot regions are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorization holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and GMP-certified, and are also located within the pilot regions. Drugs that qualify for the MAH System are: (1) new drugs (including Category 1 and 2 drugs under the 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 equivalence assessments against original drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the pilot regions, but which have moved out of the pilot regions due to corporate mergers or other reasons.

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

On October 24, 2016, the CFDA granted us a market authorized holder certification for Dorzagliatin, for which the entrusted drug manufacturers are Shanghai STA Pharmaceutical Co, Ltd and Shanghai Desano Bio-Pharmaceutical Co, Ltd.

Administrative Protection and Monitoring Periods for New Drugs

According to the Administrative Measures for Drug Registration, the Implementing Regulations of the Drug Administration Law and the Reform Plan, the CFDA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the

safety of those new drugs. During the monitoring period of a new drug, the CFDA will not accept other applications for new drugs containing the same active ingredient. This results in an effective five-year exclusivity protection for Category 1 new drugs. The only exception is that the CFDA will continue the regular examination process 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 meets the relevant requirements, the CFDA may approve such applicant to manufacture or import the similar new drug.

Packaging of Pharmaceutical Products

Pursuant to the Administration of Quality of Drug Clinical Practice, the applicant shall be responsible for the proper packaging and labeling of drugs for clinical trials and, in double-blind clinical trials, the test drug shall be consistent with the control drug or placebo in appearance, odor, packaging, labeling, and other features. 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 national and professional standards. If there is no national or professional standard available, an applicant can formulate and implement its own standards after obtaining the approval of the provincial administration or bureau of standards. The applicant must reapply if it needs to change its own packaging standards. Drugs that have not been developed and approved for packaging standards must not be sold or marketed in PRC (except for drugs for the military).

Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations to reform the healthcare system. On March 17, 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (關於深化醫藥衛生體制改革的意見). On December 27, 2016, the State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (關於印發"十三五"深化醫藥衛生體制改革規劃的通知). On April 25, 2017, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2017 (深化醫藥衛生體制改革2017年重點工作任務). Highlights of these healthcare reform policies and regulations include the following:

(1) One of the main objectives of the reform is 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 shall be established.

(2) Another main objective of reform is to improve the healthcare system, through the reform and development of a graded hierarchical healthcare system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision.

(3) The reforms aim 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 such as preventive healthcare, maternal and child healthcare and health education were to be provided to urban and rural residents. In the meantime, the reforms also encourage innovations by pharmaceutical companies to eliminate pharmaceutical products that fail to prove definite efficacy and positive risk-benefit ratio.

Chronic Diseases Prevention and Treatment

Pursuant to the Guiding Opinion of the General Office of the State Council on Promoting the Construction of the Hierarchical Healthcare System (國務院辦公廳關於推進分級診療制度建設的指導意見), or the Hierarchical Healthcare System Opinion, issued by the General Office of the State Council on September 8, 2015, and the Notice on Promoting Pilot Work for Hierarchical Healthcare System (關於推進分級診療試點工作的通知) promulgated by the NHFPC and the State Administration of Traditional Chinese Medicine on August 19, 2016, the hierarchical healthcare system is expected to be gradually improved and the framework for division and coordination among medical and health institutions shall be substantially established by 2017, and a diagnosis and treatment model featuring the objectives, such as initial diagnosis of common diseases and frequent diseases at primary hospitals and separate treatment of acute and chronic diseases, are expected to be gradually established. According to the Hierarchical Healthcare System Opinion, several chronic diseases, including hypertension, diabetes, cancer and cardiovascular and cerebrovascular diseases, are pilot diseases under the hierarchical healthcare system. Primary healthcare institutions, rehabilitation hospitals, and nursing institutions can provide treatments, rehabilitation and nursing services for patients with chronic diseases, patients in stable conditions, elderly patients, and advanced cancer patients who have clear diagnosis and stable disease conditions.

On January 22, 2017, the General Office of the State Council promulgated the Mid and Long-Term Plan for Chronic Disease Prevention and Treatment in China (2017-2025) (中國防治慢性病中長期規劃(2017-2025)), or the Chronic Disease Plan, which sets up the objective of the diabetes patients management with target involvement of 35 million diabetics by 2020 and 40 million diabetics by 2025 in chronic disease management. The Chronic Disease Plan reaffirms that the hierarchical healthcare system of chronic diseases, such as diabetes, shall be promoted, and encourages the initial diagnosis of common diseases and frequent diseases at primary hospitals. It also encourages, social participation in regional medical services, health managements and chronic disease prevention services, as well as investments in the field of chronic disease prevention by social capital.

PRC coverage and reimbursement

Historically, most Chinese healthcare costs have been borne by patients out-of-pocket, which has limited the growth of more expensive pharmaceutical products. However, in recent years, the number of people covered by government and private insurance has increased. According to the PRC National Bureau of Statistics, as of December 31, 2017, 1.1 billion employees and residents in China were enrolled in the national medical insurance program, including those who were enrolled in a new rural co-operative medical system. The PRC government has announced a plan to provide every person in China access to basic healthcare by 2020.

Reimbursement under the national medical insurance program

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

Medical Insurance Catalogue

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

The National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (國家基本醫療保險、工傷保險和生育保險藥品目錄), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. The Ministry of Human Resources and Social Security of the PRC, together with other government authorities, have the power to determine which medicines are listed in the NRDL. In order for any drug to be listed in the NRDL, it must be included in the National Essential Drug List that is promulgated and revised by the MOH. Medicines listed in the NRDL are divided into two parts, List A and List B. List A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while List B drugs are clinical treatments with good efficacy and slightly higher prices compared to List A drugs.

In February 2017, the Ministry of Human Resources and Social Security of the PRC released the 2017 NRDL, the scope of which was expanded to cover 2,535 drugs in total, including 339 newly added drugs. In July 2017, the Ministry of Human Resources and Social Security of the PRC announced that the 2017 NRDL would be expanded to include an additional 36 innovative drugs, classified as List B medicines. 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. As the PRC government has started to include more innovative drugs in the NRDL, Dorzagliatin, may be accepted by the Ministry of Human Resources and Social Security of the PRC or any of its local counterparts for inclusion in the NRDL or provincial or local medical insurance catalogues, which may increase the demand for Dorzagliatin.

According to the Deepening Reform Opinions, in order to support the clinical application of new drugs, (1) the dynamic adjustment mechanism applicable to the catalogue of drugs by medical insurance will be improved, (2) the establishment of a negotiation mechanism regarding payment standards for drugs covered by medical insurance will be explored, (3) new drugs will be promptly incorporated according to applicable provisions into the payment scope covered by basic medical insurance, and (4) research and development of new drugs will be supported. An evaluation steering group composed of the members of Ministry of Labor and Social Security of the PRC and other authorities is responsible for (i) evaluating the drugs to be included in or deleted from the NRDL, (ii) reviewing the list of members of the drug selection expert panel and consulting group, and (iii) coordinating the evaluation and implementation of the Provincial Reimbursement Drug List, or PRDL. A drug selection expert panel composed of clinical and pharmacy specialists with higher professional skills is responsible for selecting drug candidates fulfilling the required criteria to be listed in the NRDL.

Pursuant to the Medical Insurance Coverage Notice, a PRDL must be established by the labor administration departments of the provincial governments in the PRC. As with the NRDL, provincial evaluation institutions and expert groups have been established to select the drugs to be listed in the PRDL. Provincial governments are required to include all Part A medicines listed on the NRDL in their provincial medical insurance catalogue, but have discretion to adjust upwards or downwards by no more than 15% the number of Part B medicines listed in the NRDL to be listed in the PRDL based on local economic levels, medical demands, and medication practices. As a result, the contents of Part B of the provincial medical insurance catalogues may differ from region to region in the PRC.

Pursuant to the Medical Insurance Coverage Notice, patients purchasing medicines included in Part A of the NRDL are entitled to reimbursement of the entire amount of the purchase price through the basic medical insurance program. 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 through the basic medical insurance program. The percentage of reimbursement for Part B medicines differs from region to region in the PRC. Similarly, patients purchasing drugs included in List A catalogue of the PRDL are entitled to reimbursement of the entire amount of the purchase price through the basic medical insurance program. Patients purchasing drugs included in List B catalogue of the PRDL are required to pay a certain percentage (approximately 10%-30%) of the purchase price and obtain reimbursement for the remainder of the purchase price (about 70%-90%), through the basic medical insurance program. The percentage of reimbursement for List B drugs differs from region to region in the PRC.

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

The Opinions on Promoting Drug Pricing Reform (推進藥品價格改革的意見), which was promulgated by the NDRC, the National Health and Family Planning Commission, CDA, Ministry of Commerce and certain other departments on May 4, 2015, and came into effect on the same day, set forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. The prices of patent drugs and exclusively produced drugs are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that are purchased by the government in a centralized manner, and AIDS antiviral drugs and contraceptives provided by the government for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned above, the prices for other drugs may be determined by manufacturers and operators on their own on the basis of production or operation costs and market supply and demand. In addition, the 2017 NRDL proposed to explore the development of a negotiation mechanism for drugs to be listed in the NDRL. The Ministry of Human Resource and Social Security will negotiate with drug manufacturers for the drugs proposed to be negotiated as determined by experts upon review in accordance with the relevant criteria. Those eligible will be included in the payment scope of the medical insurance fund.

Intellectual Property Rights

China became a member of the World Trade Organization and a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (與貿易有關的知識產權協定) on December 11, 2001. In addition, China has entered into several international conventions on intellectual property rights, including without limitation, the Paris Convention for the Protection of Industrial Property (保護工業產權巴黎公約), the Madrid Agreement Concerning the International Registration of Marks (商標國際註冊馬德里協議) and the Patent Cooperation Treaty (專利合作公約).

Patents

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984, as amended on September 4, 1992, August 25, 2000 and December 27, 2008, and effective from October 1, 2009 and the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the State Council on June 15, 2001 and as amended on January 9, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior

authorization of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the PRC Patent Law, for public health purposes, the State Intellectual Property Office of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, pursuant to the Patent Law, any organization or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination.

Trade Secrets

Pursuant to the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法), as amended in November 2017, promulgated by the SCNPC in September 1993, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, solicitation or coercion; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Trademarks

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001 and August 30, 2013 and effective from May 1, 2014, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Domain names

Domain names are protected under the Measures on Administration of Domain Names for the Chinese Internet (中國互聯網絡域名管理辦法) promulgated by the Ministry of Industry and Information Technology, or the MIIT, on November 5, 2004 and effective from December 20, 2004,

which was replaced by the Administrative Measures on the Internet Domain Names (互聯網域名管理辦法) issued by the MIIT as of November 1, 2017, and the Implementing Rules on Registration of Domain Names (中國互聯網絡信息中心域名註冊實施細則) issued by China Internet Network Information Center on May 28, 2012, which became effective on May 29, 2012. The MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Product Liability

The Product Quality Law of the PRC (中華人民共和國產品質量法), promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000 and August 27, 2009, is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the General Principles of the Civil Law of the PRC (中華人民共和國民法通則) promulgated by the National People's Congress on April 12, 1986, amended and became effective on August 27, 2009, both manufacturers and sellers shall be held liable where relevant defective products result in damage to property of others or bodily injuries. Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法), promulgated by the SCNPC on December 26, 2009 and effective on July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016, the Administrative Regulations on the Environmental Protection of Construction Project (建設項目環境保護管理條例), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall engage qualified professionals

to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Enterprises generating environmental pollution in the PRC must comply with the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective from November 1, 1984 and most recently amended on June 27, 2017, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective from June 1 1988 and most recently amended on August 29 2015, the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) effective from March 1,1997, and the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法), effective from April 1, 1996 and most recently amended on November 7, 2016. These laws regulate extensive issues in relation to environmental protections including waste water discharge, air pollution control, noise emission and solid waste pollution control. Pursuant to these laws, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

Our CMOs are subject to and must comply with above environmental laws and regulations.

Foreign Exchange Control

The PRC State Council promulgated the PRC Regulation for the Foreign Exchange (中華人民共和國外匯管理條例), or the Foreign Exchange Regulations, on January 29, 1996, which was then amended in January 1997 and in August, 2008. On June 20, 1996, the People's Bank of China further promulgated the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (結匯、售匯及付匯管理規定), or the Settlement Regulations, which came into effect on July 1, 1996. Pursuant to the Foreign Exchange Regulation and the Settlement Regulations, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends. The Settlement Regulations remove the previous restrictions on convertibility of foreign exchange in respect of current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions, while foreign exchange transactions in respect of capital account items, such as direct investment, loan, securities investment and repatriation of investment remain subject to the approval of SAFE.

On November 19, 2012, SAFE promulgated the Operating Rules for Foreign Exchange Issues with Regard to Direct Investment under Capital Account (資本項目直接投資外匯業務操作規程), an appendix to the Circular of SAFE on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), or SAFE Circular 59, which became effective on December 17, 2012 and amended on May 4, 2015. According to SAFE Circular 59, (i) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (ii) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (iii) the procedures

for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (iv) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (v) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (vi) the administration over the conversion of foreign exchange capital of foreign-funded enterprises is improved. In addition, on February 13, 2015, SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), which became effective on June 1, 2015 and provides that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

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

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

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular 37, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned

assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires an amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. Failure to comply with the SAFE registration requirements under SAFE Circular 37 could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化改進直接投資外匯管理政策的通知), effective June 1, 2015, which provides that the local bank instead of SAFE can directly handle the initial foreign exchange registration and amendment registration under SAFE Circular 37.

Labor and Social Insurance

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

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

Dividend Distribution

Pursuant to the PRC Company Law and the Foreign-Owned Enterprise Law of PRC, as amended on October 31, 2000 and September 3, 2016 respectively, and the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC, as amended on April 12, 2001 and February 19, 2014, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise is required to set aside at least 10% of its respective accumulated profits

each year to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. These wholly foreign-owned companies may also allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. Amounts allocated to these reserve funds and staff welfare and bonus funds reduce the amount distributable as cash dividends. Upon approval of the competent governmental authorities, foreign investors may utilize RMB dividends to invest or re-invest in enterprises established in China.

On January 26, 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知), or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including the requirements that (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Employee Stock Incentive Plan

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly Listed Companies (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by SAFE on March 28, 2007. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures and handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. In addition, the Stock Option Rules provide that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

Taxation

Because we carry out our PRC business operations through operating subsidiaries organized under the PRC law, our PRC operations and our operating subsidiaries in China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), or the EIT Law, promulgated by the National People's Congress on March 16, 2007, which became effective on January 1, 2008 and

was amended on February 24, 2017, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing on January 1, 2008 with certain exceptions. In order to clarify certain provisions of the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) on December 6, 2007, which became effective on January 1, 2008. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

The EIT Implementation Rules provide that, since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

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

Overview of U.S. Regulations

U.S. regulation of pharmaceutical product development and approval

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations. The process of obtaining approvals and the subsequent compliance with appropriate federal, state and local rules and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. regulatory requirements at any time during the product development process, approval process or after approval may subject an applicant and/or sponsor to a variety of administrative or judicial sanctions, including refusal by FDA to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters and other types of letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement of profits, or civil or criminal investigations and penalties brought by FDA and the Department of Justice, or DOJ, or other governmental entities. Drugs are also subject to other federal, state and local statutes and regulations.

Our drug candidates must be approved by the FDA through the NDA process before they may be legally marketed in the United States. The process required by the FDCA and FDA regulations before a drug may be marketed in the United States generally involves the following:

- completion of extensive pre-clinical studies, sometimes referred to as pre-clinical laboratory tests, pre-clinical animal studies and formulation studies all performed in compliance with applicable regulations, including the FDA's GLP regulations;

- submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin and must be updated annually;

- approval by an independent IRB representing each clinical site before each clinical trial may be initiated;

- performance of adequate and well-controlled human clinical trials in accordance with applicable good clinical practices, or GCPs and other clinical trial-related regulations , to establish the safety and efficacy of the proposed drug product for its proposed indication;

- preparation and submission to the FDA of an NDA;

- a determination by the FDA within 60 days of its receipt of an NDA to file the NDA for review and review by an FDA advisory committee, where appropriate or if applicable;

- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the API and finished drug product are produced to assess compliance with the FDA's cGMP;

- potential FDA audit of the pre-clinical and/or clinical trial sites that generated the data in support of the NDA;

- payment of user fees and FDA review and approval of the NDA prior to any commercial marketing or sale of the drug in the United States; and

- compliance with any post-approval requirements, including Risk Evaluation and Mitigation Strategies, or REMS, and post-approval studies required by FDA.

Preclinical studies

The data required to support an NDA is generated in two distinct development stages: pre-clinical and clinical. For new chemical entities, or NCEs, the pre-clinical development stage generally involves synthesizing the active component, developing the formulation and determining the manufacturing process, evaluating purity and stability, as well as carrying out non-human toxicology, pharmacology and drug metabolism studies in the laboratory, which support subsequent clinical testing. The conduct of the pre-clinical tests must comply with federal regulations, including GLPs. The sponsor must submit the results of the pre-clinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. An IND is a request for authorization from the FDA to administer an investigational drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for human trials. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials and places the IND on clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical trial can begin. Some long-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, may continue after the IND is submitted. The FDA may also impose clinical holds on a drug candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, submission of an IND does not guarantee the FDA will allow clinical trials to begin, or that, once begun, issues will not arise that could cause the trial to be suspended or terminated.

Clinical studies

The clinical stage of development involves the administration of the drug product to human subjects or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with GCPs, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under written study protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety and assess efficacy. Each protocol, and any subsequent amendments to the protocol, must be submitted to the FDA as part of the IND. Further, each clinical trial must be reviewed and approved by each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also generally reviews and approves the informed consent form that must be provided to each clinical trial subject or his or her

legal representative and must monitor the clinical trial until completed. There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. For example, information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their ClinicalTrials.gov website.

Clinical trials are generally conducted in three sequential phases that may overlap or be combined, known as Phase I, Phase II and Phase III clinical trials.

- Phase I: The drug is initially introduced into a small number of healthy volunteers who are initially exposed to a single dose and then multiple doses of the drug candidate. The primary purpose of these clinical trials is to assess the metabolism, pharmacologic action, side effect tolerability and safety of the drug.

- Phase II: The drug is administered to a limited patient population with the disease or condition under study to determine dose tolerance and optimal dosage required to produce the desired benefits. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected, as well as identification of possible adverse effects and safety risks and preliminary evaluation of efficacy.

- Phase III: The drug is administered to an expanded number of patients, generally at multiple sites that are geographically dispersed, in well-controlled clinical trials to generate enough data to demonstrate the efficacy of the drug for its intended use, its safety profile, and to establish the overall benefit/risk profile of the drug and provide an adequate basis for drug approval and labeling of the drug product. Phase III clinical trials may include comparisons with placebo and/or other comparator treatments. The duration of treatment is often extended to mimic the actual use of a drug during marketing. Generally, two adequate and well-controlled Phase III clinical trials are required by the FDA for approval of an NDA. A pivotal study is a clinical study that adequately meets regulatory agency requirements for the evaluation of a drug candidate's efficacy and safety such that it can be used to justify the approval of the drug. Generally, pivotal studies are also Phase III studies but may be Phase II studies if the trial design provides a well-controlled and reliable assessment of clinical benefit, particularly in situations where there is an unmet medical need.

- Post-approval trials, sometimes referred to as Phase IV clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, FDA may mandate the performance of Phase IV clinical trials.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA, and more frequently if serious adverse events occur. Written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse reactions or any finding from tests in laboratory animals that suggests a significant risk to human subjects. The FDA, the IRB, or the clinical trial sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. The FDA will typically inspect one or more clinical sites to assure compliance with GCP and the

integrity of the clinical data submitted. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether or not a trial may move forward at designated check points based on access to certain data from the trial. Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug as well as finalize a process for manufacturing the drug in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the drug candidate and, among other things, cGMPs impose extensive procedural, substantive and recordkeeping requirements to ensure and preserve the long term stability and quality of the final drug product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

NDA submission and FDA review process

Following trial completion, trial results and data are analyzed to assess safety and efficacy. The results of pre-clinical studies and clinical trials are then submitted to the FDA as part of an NDA, along with proposed labeling for the drug, information about the manufacturing process and facilities that will be used to ensure drug quality, results of analytical testing conducted on the chemistry of the drug, and other relevant information. The NDA is a request for approval to market the drug and must contain adequate evidence of safety and efficacy, which is demonstrated by extensive pre-clinical and clinical testing. The application may include negative or ambiguous results of pre-clinical and clinical trials as well as positive findings. Data may come from company-sponsored clinical trials intended to test the safety and efficacy of a use of a drug, or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the investigational drug product to the satisfaction of the FDA. Under federal law, the submission of most NDAs is subject to the payment of an application user fees; a waiver of such fees may be obtained under certain limited circumstances. FDA approval of an NDA must be obtained before a drug may be offered for sale in the United States.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each NDA must be accompanied by an application user fee. The FDA adjusts the PDUFA user fees on an annual basis. According to the FDA's fee schedule, effective through September 30, 2015, the user fee for an application requiring clinical data, such as an NDA, is $2,335,200. PDUFA also imposes an annual product fee for human drugs ($110,370) and an annual establishment fee ($569,200) on facilities used to manufacture prescription drugs. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business.

The FDA reviews all NDAs submitted before it accepts them for filing and may request additional information rather than accepting an NDA for filing. The FDA conducts a preliminary review of an NDA within 60 days of receipt and informs the sponsor by the 74th day after FDA's receipt of the submission to determine whether the application is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the goals and policies agreed to by the FDA under PDUFA, the FDA has ten months from the filing date in which to complete its initial review of a standard NDA and respond to the applicant, and six months from the filing date for a "priority review" NDA. The FDA does not always meet its PDUFA goal dates for standard and priority review NDAs, and the review process is often significantly extended by FDA requests for additional information or clarification.

After the NDA submission is accepted for filing, the FDA reviews the NDA to determine, among other things, whether the proposed drug is safe and effective for its intended use, and whether the drug is being manufactured in accordance with cGMP to assure and preserve the drug's identity, strength, quality and purity. The FDA may refer applications for novel drugs or drug candidates that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA may re-analyze the clinical trial data, which can result in extensive discussions between the FDA and us during the review process.

Before approving an NDA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new drug to determine whether they comply with cGMPs. The FDA will not approve the drug unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the drug within required specifications. In addition, before approving an NDA, the FDA may also audit data from clinical trials to ensure compliance with GCP requirements. After the FDA evaluates the application, manufacturing process and manufacturing facilities where the drug product and/or its API will be produced, it may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application is not ready for approval. A Complete Response Letter usually describes all of the specific deficiencies in the NDA identified by the FDA. The Complete Response Letter may require additional clinical data and/or an additional pivotal clinical trial(s), and/or other significant, expensive and time-consuming requirements related to clinical trials, pre-clinical studies or manufacturing. If a Complete Response Letter is issued, the applicant may either resubmit the NDA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data.

If a drug receives marketing approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited. Further, the FDA may require that certain contraindications, warnings or precautions be included in the drug labeling or may condition the approval of the NDA on other changes to the proposed labeling, development of adequate controls and specifications, or a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved drugs. For example, the FDA may require Phase 4 testing which involves clinical trials designed to further assess a drug's safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved drugs that have been commercialized. The FDA may also place other conditions on approvals including the requirement for a Risk Evaluation and Mitigation Strategy, or REMS, to ensure that the benefits of a drug or biological product outweigh its risks. If the FDA concludes a REMS is needed, the sponsor of the NDA must submit a proposed REMS. The FDA will not approve the NDA without an approved REMS, if required. A REMS could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of drugs. Drug approvals may be withdrawn for non-compliance with regulatory requirements or if problems occur following initial marketing.

Special FDA expedited review and approval programs

The FDA has various programs, including Fast Track Designation, accelerated approval, priority review and Breakthrough Therapy Designation, that are intended to expedite or simplify the process for the development and FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard FDA review procedures.

Fast track designation

To be eligible for a Fast Track Designation, the FDA must determine, based on the request of a sponsor, that a drug is intended to treat a serious or life threatening disease or condition and demonstrates the potential to address an unmet medical need for the disease or condition. Diabetes is explicitly identified as an example of a serious condition. Under the fast track program, the sponsor of a drug candidate may request FDA to designate the product for a specific indication as a fast track product concurrent with or after the filing of the IND for the drug candidate. The FDA must make a fast track designation determination within 60 days after receipt of the sponsor's request.

In addition to other benefits, such as the ability to use surrogate endpoints and have greater interactions with FDA, FDA may initiate review of sections of a fast track product's NDA before the application is complete. This rolling review is available if the applicant provides, and FDA approves, a schedule for the submission of the remaining information and the applicant pays applicable user fees. However, FDA's time period goal for reviewing a fast track application does not begin until the last section of the NDA is submitted. In addition, the fast track designation may be withdrawn by FDA if FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

Priority review

The FDA may give a priority review designation to drugs that offer significant improvements in treatment, or provide a treatment where no adequate therapy exists. A priority review means that the goal for the FDA to review an application is six months, rather than the standard review of ten months under current PDUFA guidelines. These six and ten month review periods are measured from the "filing" date rather than the receipt date for NDAs for new molecular entities, which typically adds approximately two months to the timeline for review and decision from the date of submission. Most products that are eligible for Fast Track Designation are also likely to be considered appropriate to receive a priority review.

Breakthrough therapy designation

Under the provisions of the new Food and Drug Administration Safety and Innovation Act, or FDASIA, enacted by Congress in 2012, a sponsor can request designation of a drug candidate as a "breakthrough therapy." A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs designated as breakthrough therapies are also eligible for accelerated approval. The FDA may take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy.

Accelerated approval

FDASIA also codified and expanded on FDA's accelerated approval regulations, under which FDA may approve a drug for a serious or life-threatening illness that provides meaningful therapeutic benefit over existing treatments based on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit. This determination takes into account the severity, rarity or prevalence of the disease or condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require a sponsor of a drug receiving accelerated approval to perform Phase IV or post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug may be subject to accelerated withdrawal procedures. In addition, FDA may require that all promotional materials for drug candidates approved under accelerated regulations are subject to prior review by the FDA.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. Furthermore, Fast Track Designation, priority review, accelerated approval and Breakthrough Therapy Designation, do not change the standards for approval and may not ultimately expedite the development or approval process.

Post-marketing requirements

Following approval of a new drug, a pharmaceutical company and the approved drug are subject to continuing regulation by the FDA, including, among other things, monitoring and recordkeeping activities, reporting to the applicable regulatory authorities of adverse experiences with the drug, providing the regulatory authorities with updated safety and efficacy information, drug sampling and distribution requirements, and complying with applicable promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting drugs for uses or in patient populations that are not described in the drug's approved labeling (known as "off-label use"), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although physicians may legally prescribe drugs for off-label uses, manufacturers may not market or promote such off-label uses. Modifications or enhancements to the drug or its labeling or changes of the site of manufacture are often subject to the approval of the FDA and other regulators, which may or may not be submitted to FDA or may result in a lengthy review process.

Prescription drug advertising is subject to federal, state and foreign regulations. In the United States, the FDA regulates prescription drug promotion, including direct-to-consumer advertising. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use. Any distribution of prescription drugs and pharmaceutical samples must comply with the U.S. Prescription Drug Marketing Act, or the PDMA, a part of the FDCA.

In the United States, once a drug is approved, its manufacture is subject to comprehensive and continuing regulation by the FDA. The FDA regulations require that drugs be manufactured in specific approved facilities and in accordance with cGMP. Applicants may also rely on third parties for the production of clinical and commercial quantities of drugs, and these third parties must operate in accordance with cGMP regulations. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. These regulations also impose certain organizational, procedural and documentation requirements with respect to manufacturing and quality assurance activities. NDA holders using third party contract manufacturers, laboratories or packagers are responsible for the selection and monitoring of qualified firms, and, in certain circumstances, qualified suppliers to these firms. These firms and, where applicable, their suppliers are subject to inspections by the FDA at any time, and the discovery of violative conditions, including failure to conform to cGMP, could result in enforcement actions that interrupt the operation of any such facilities or the ability to distribute drugs manufactured, processed or tested by them. Discovery of problems with a drug after approval may result in restrictions on a drug, manufacturer, or holder of an approved NDA, including, among other things, recall or withdrawal of the drug from the market, and may require substantial resources to correct.

The FDA also may require post-approval testing, sometimes referred to as Phase IV testing, risk minimization action plans and post-marketing surveillance to monitor the effects of an approved drug or place conditions on an approval that could restrict the distribution or use of the drug. Discovery of previously unknown problems with a drug or the failure to comply with applicable FDA requirements can have negative consequences, including adverse publicity, judicial or administrative enforcement, warning letters from the FDA, corrective advertising or communications with doctors, and civil or criminal penalties, among others. Newly discovered or developed safety or effectiveness data may require changes to a drug's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our drugs under development.

Other U.S. regulatory matters

Manufacturing, sales, promotion and other activities following drug approval are also subject to regulation by numerous regulatory authorities in addition to the FDA, including, in the United States, the Centers for Medicare & Medicaid Services, other divisions of the Department of Health and Human Services, the Drug Enforcement Administration for controlled substances, the Consumer Product Safety Commission, the Federal Trade Commission, the Occupational Safety & Health Administration, the Environmental Protection Agency and state and local governments. In the United States, sales, marketing and scientific/educational programs must also comply with state and federal fraud and abuse laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the U.S. Omnibus Budget Reconciliation Act of 1990 and more recent requirements in the Health Care Reform Law, as amended by the Health Care and Education Affordability Reconciliation Act, or ACA. If drugs are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. The handling of any controlled substances must comply with the U.S. Controlled Substances Act and Controlled Substances Import and Export Act. Drugs must meet applicable child-resistant packaging requirements under the U.S. Poison Prevention Packaging Act. Manufacturing, sales, promotion and other activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The distribution of pharmaceutical drugs is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of pharmaceutical drugs.

The failure to comply with regulatory requirements subjects firms to possible legal or regulatory action. Depending on the circumstances, failure to meet applicable regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of drugs, total or partial suspension of production, denial or withdrawal of product approvals, or refusal to allow a firm to enter into supply contracts, including government contracts. In addition, even if a firm complies with FDA and other requirements, new information regarding the safety or efficacy of a product could lead the FDA to modify or withdraw product approval. Prohibitions or restrictions on sales or withdrawal of future products marketed by us could materially affect our business in an adverse way.

U.S. patent term restoration and marketing exclusivity

Depending upon the timing, duration and specifics of the FDA approval of our drug candidates, some of our U.S. patents may be eligible for limited patent term extension under the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of an NDA plus the time between the submission date of an NDA and the approval of that application. Only one patent that covers the approved drug (and to only those patent claims covering the approved drug, a method for using it, or a method for manufacturing it) is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The United States Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration.

Marketing exclusivity provisions under the FDCA can also delay the submission or the approval of certain marketing applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to obtain approval of an NDA for a NCE. A drug is a NCE if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an ANDA, or a 505(b)(2) NDA submitted by another company for another drug based on the same active moiety, regardless of whether the drug is intended for the same indication as the original innovator drug or for another indication, where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder. Specifically, the applicant must certify with respect to each relevant patent that: the required patent information has not been filed; the listed patent has expired; the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration, or the listed patent is invalid, unenforceable or will not be infringed by the new product. A certification that the new product will not infringe the already approved product's listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification. If the applicant does not challenge the listed patents or indicate that it is not seeking approval of a patented method of use, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired. If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months after the receipt of the Paragraph IV notice, expiration of the patent, or a decision in the infringement case that is favorable to the ANDA applicant.

The FDCA also provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the pre-clinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Rest of the world regulation of pharmaceutical product development and approval

For other countries outside of China and the United States, such as countries in Europe, Latin America or other parts of Asia, the requirements governing the conduct of clinical trials, drug licensing, pricing and reimbursement vary from country to country. In all cases the clinical trials must be conducted in accordance with GCP requirements and the applicable regulatory requirements and ethical principles.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

OVERVIEW

We are a China-based drug development company currently focused on developing a global first-in-class oral drug, Dorzagliatin, for the treatment of Type 2 diabetes. Our Company was founded by Dr. Li Chen, the former Chief Scientific Officer of Roche's R&D Center in China, and backed by a group of sophisticated healthcare and biotech funds and experienced entrepreneurs.

In 2010 and 2011, we established our wholly-owned subsidiary Hua HK in Hong Kong, as well as our major operating subsidiary Hua Shanghai in the PRC, which is directly owned by Hua HK.

BUSINESS MILESTONES

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

2009 The Company was incorporated in the Cayman Islands as a limited liability company.

2010 Dr. Li Chen joined the Company and began the operations of the Company.

2011 Company licensed Dorzagliatin from Roche in December 2011.

2012 Company filed an Investigational New Drug (IND) application with the China Food and Drug Administration (CFDA) for Dorzagliatin under Category 1.1 (New Drug).

2013 Phase Ia clinical study of our novel Glucokinase activator Dorzagliatin initiated in September 2013.

2014 Multicenter, multi-dose Phase Ib trial for Dorzagliatin initiated in March 2014 after positive results from our Phase 1a clinical study were announced. Company closed a Series A-1 and A-2 financing of US$20.1 million (including conversion of convertible notes) in May 2014.

2015 Company closed a Series B financing of US$25 million in January 2015. Company filed an Investigational New Drug (IND) application with the US Food and Drug Administration (FDA) for Dorzagliatin in March 2015 after positive results from our Phase 1b trials were announced. Positive results from our Phase 1c clinical trial for Dorzagliatin were announced in August 2015.

2016 Company closed a Series C financing of US$48 million in April 2016. Positive results from our Phase II monotherapy trial for Dorzagliatin were announced in August 2016 and had demonstrated proof-of-concept.

2017 We began our Phase III trial in China in July 2017.

2018 Company closed a combined Series D and Series E financing of US$117.4 million in March 2018. The results from our Phase II trial were published in the Lancet Diabetes and Endocrinology in May 2018.

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

Our business operations were primarily conducted through our major operating subsidiary Hua Shanghai. The following sets forth the major corporate history and shareholding changes of our Company, Hua HK and Hua Shanghai:

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 10, 2009. On March 4, 2010, the initial subscriber Mapcal Limited transferred 1 share of the Company, being the entire issued share of the Company at the time, to ARCH Venture Fund VII, L.P.

(i) ***Initial Issuances of Ordinary Shares***

On April 30, 2010, our Company issued a total of 3,624,990 ordinary Shares at a purchase price of US$0.001 per share for a total consideration of US$3,624.99 as follows:

Name of Shareholder	Number of Ordinary Shares	Purchase Amount (US$)
Ge Li and Ning Zhao	1,000,000	1,000.00
John J. Baldwin[·]	1,000,000	1,000.00
Edgar Hotard[·]	125,000	125.00
ARCH Venture Fund VII, L.P.	499,990	499.99
Asia Ventures II L.P.	250,000	250.00
F-Prime Capital Partners Healthcare Fund II LP (formerly known as Beacon Bioventures Fund II Limited Partnership)	250,000	250.00
Venrock Associates V, L.P.	451,150	451.15
Venrock Partners V, L.P.	38,250	38.25
Venrock Entrepreneurs Fund V, L.P.	10,600	10.60
Total	**3,624,990**	**3,624.99**

(ii) ***Convertible Notes Financing***

Between 2010 and 2013, our Company issued convertible notes in an aggregate principal amount of US$14,599,999.00 to the following noteholders, all principal amount of which and the interests accrued thereon were converted into a certain number of Series A-2 Preferred Shares as follows at a conversion price of US$0.75 per share at the closing of the Series A financing on May 16, 2014.

Name of Noteholder	Number of Series A-2 Preferred Shares Issued upon Conversion	Purchase Amount (US$)
John J. Baldwin	771,404	500,000.00
Ge Li and Ning Zhao	771,404	500,000.00
ARCH Venture Fund VII, L.P.	4,900,273	3,438,503.12
Asia Ventures II L.P.	2,192,333	1,540,228.15
F-Prime Capital Partners Healthcare Fund II LP	2,192,333	1,540,228.15
Venrock Associates V, L.P.	3,956,285	2,779,496.10
Venrock Partners V, L.P.	335,426	235,654.49
Venrock Entrepreneurs Fund V, L.P.	92,955	65,305.70
Sino-Alliance International, Ltd	2,709,161	1,887,526.15
Wuxi Pharmatech Healthcare Fund I L.P.	2,994,835	2,113,057.14
Total	**20,916,409**	**14,599,999.00**

(iii) ***Series A Financing***

In connection with the Series A financing, our Company issued (i) a total of 20,916,409 Series A-2 Preferred Shares to the holders of the convertible notes upon conversion of such convertible notes as set forth above, and (ii) a total of 5,499,999 Series A-1 Preferred Shares to the following investors at a purchase price of US$1.00 per share for a total consideration of US$5,499,999.00 on May 16, 2014.

Name of Shareholder	Number of Series A-1 Preferred Shares	Purchase Amount (US$)
ARCH Venture Fund VII, L.P.	1,420,444	1,420,444.00
Asia Ventures II L.P.	645,656	645,656.00
F-Prime Capital Partners Healthcare Fund II LP	645,656	645,656.00
Venrock Associates V, L.P.	1,165,151	1,165,151.00
Venrock Partners V, L.P.	98,785	98,785.00
Venrock Entrepreneurs Fund V, L.P.	27,376	27,376.00
Sino-Alliance International, Ltd	734,845	734,845.00
Wuxi Pharmatech Healthcare Fund I L.P.	762,086	762,086.00
Total	**5,499,999**	**5,499,999.00**

(iv) ***Series B Financing***

In connection with the Series B financing, our Company issued (i) a total of 3,571,428 Series B Preferred Shares to the following investors at a purchase price of US$3.50 per share for a total consideration of US$12,499,998.00 at the initial closing on January 6, 2015, and (ii) a total of 3,571,429 Series B Preferred Shares to the following investors at a purchase price of US$3.50 per share for a total consideration of US$12,500,001.50 at the second closing on August 6, 2015.

Name of Shareholder (Initial Closing)	Number of Series B Preferred Shares	Purchase Amount (US$)
ARCH Venture Fund VII, L.P.	714,285	2,499,997.50
Asia Ventures II L.P.	158,105	553,367.50
F-Prime Capital Partners Healthcare Fund II LP	158,105	553,367.50
Venrock Associates V, L.P.	285,317	998,609.50
Venrock Partners V, L.P.	24,190	84,665.00
Venrock Entrepreneurs Fund V, L.P.	6,703	23,460.50
Sino-Alliance International, Ltd	191,866	671,531.00
Wuxi Pharmatech Healthcare Fund I L.P.	461,428	1,614,998.00
ABG II-Hua Limited	1,142,858	4,000,003.00
China Life Sciences Access Fund, L.P.	285,714	999,999.00
Prized Resources Holdings Limited	142,857	499,999.50
Total	**3,571,428**	**12,499,998.00**

Name of Shareholder (Second Closing)	Number of Series B Preferred Shares	Purchase Amount (US$)
ARCH Venture Fund VII, L.P.	714,286	2,500,001.00
Asia Ventures II L.P.	158,105	553,367.50
Beacon Bioventures Fund II Limited Partnership	158,105	553,367.50
Venrock Associates V, L.P.	285,317	998,609.50
Venrock Partners V, L.P.	24,190	84,665.00
Venrock Entrepreneurs Fund V, L.P.	6,703	23,460.50
Sino-Alliance International, Ltd	191,866	671,531.00
Wuxi Pharmatech Healthcare Fund I L.P.	461,429	1,615,001.50
ABG II-Hua Limited	1,142,857	3,999,999.50
China Life Sciences Access Fund, L.P.	285,714	999,999.00
Prized Resources Holdings Limited	142,857	499,999.50
Total	**3,571,429**	**12,500,001.50**

(v) ***Series C Financing***

In connection with the Series C financing, our Company issued a total of 1,093,076 Series C Preferred Shares, including (i) (a) 794,965 Series C-1 Preferred Shares, at a purchase price of US$10.06335 per share, to the investors identified in the table below, (b) one Series C-2 Preferred Share, at a purchase price of US$0.001 per share, to Harvest Yuanxiang (Cayman) Limited ("Harvest Cayman"), in connection with certain of its PRC affiliates' investments in Hua Shanghai, and (c) one Series C-3 Preferred Share, at a purchase price of US$0.001 per share, to Sciences Access Fund, L.P. in connection with its PRC affiliate's investments in Hua Shanghai, for a total consideration of US$8,000,000 at the initial closing on April 18, 2016, and (ii) 298,111 Series C-1 Preferred Shares at a purchase price of US$10.06335 per share for a total consideration of US$3,000,000 at the second closing on March 9, 2017.

Name of Shareholder (Initial Closing)	Number of Series C Preferred Shares	Purchase Amount (US$)
Harvest Yuanxiang (Cayman) Limited	496,852	5,000,000.00
Fortune Triumph Holdings Limited	198,741	2,000,000.00
Parkway Limited	99,370	1,000,000.00
Total	**794,965**	**8,000,000.00**

Name of Shareholder (Second Closing)	Number of Series C Preferred Shares	Purchase Amount (US$)
Fortune Triumph Holdings Limited	198,741	2,000,000.00
Parkway Limited	99,370	1,000,000.00
Total	**298,111**	**3,000,000.00**

Concurrently with the Series C financing, certain of Harvest's PRC affiliates (the "Harvest Entities") collectively invested in Hua Shanghai, and in connection therewith the Harvest Entities entered into an option agreement with the Company pursuant to which they have option rights to purchase from the Company an aggregate of 2,981,114 Series C-1 Preferred Shares upon repurchase by Hua HK or Hua Shanghai of the equity interests held by the Harvest Entities in Hua Shanghai, at an exercise price equal to the repurchase price for their equity interests in Hua Shanghai. For details of the Harvest Entities' investment in Hua Shanghai, please see the paragraph headed "—Hua Shanghai" below.

Concurrently with the Series C financing, Suzhou Frontline BioVentures Venture Capital Partnership (Limited Partnership) (蘇州通和創業投資合夥企業 (有限合夥)) ("Suzhou Frontline") and Suzhou Tonghe Management Venture Capital Partnership (Limited Partnership) (蘇州通和創業投資管理合夥企業 (有限合夥)) (together with Suzhou Frontline, "Frontline Suzhou Entities", and together with China Life Sciences Access Fund, L.P., the "Frontline Entities") invested in Hua Shanghai, and in connection therewith it entered into an option agreement with the Company pursuant to which it has an option right to purchase from the Company an aggregate of 695,592 Series C-1 Preferred Shares upon repurchase by Hua HK or Hua Shanghai of the equity interests held by it in Hua Shanghai, at an exercise price equal to the repurchase price for their equity interests in Hua Shanghai. For details, please see the paragraph headed "—Hua Shanghai" below.

(vi) ***Series D Financing***

In connection with the Series D financing, our Company issued a total of 3,599,031 Series D Preferred Shares, including (i) (a) 1,746,328 Series D-1 Preferred Shares, at a purchase price of US$11.1141 per share, to the investors identified in the table below, (b) one Series D-2 Preferred Share, at a purchase price of US$0.001 per share, to Harvest Cayman in connection with one of its PRC affiliates' investment in Hua Shanghai, for a total consideration of US$19,408,864.02 at the initial closing on January 22, 2018, and (ii) 1,852,702 Series D-1 Preferred Shares at a purchase price of US$11.1141 per share for a total consideration of US$20,591,115.28 at the second closing on March 14, 2018.

Name of Shareholder (Initial Closing)	Number of Series D Preferred Shares	Purchase Amount (US$)
ARCH Venture Fund VII, L.P.	89,976	1,000,002.26
Asia Ventures II L.P.	185,350	2,059,998.44
F-Prime Capital Partners Healthcare Fund II LP	44,988	500,001.13
Eight Roads Investments Limited	140,362	1,559,997.30
Venrock Associates V, L.P.	81,185	902,298.21
Venrock Partners V, L.P.	6,883	76,498.35
Venrock Entrepreneurs Fund V, L.P.	1,907	21,194.59
Wuxi Pharmatech Healthcare Fund I L.P.	255,531	2,839,997.09
Ge Li and Ning Zhao	96,274	1,069,998.86
John J. Baldwin and Ann M. Baldwin	42,108	467,992.52
Jane Xingfang Hong	87,277	970,005.31
Kelly Xiao Chen	26,993	300,002.90
Kevin Hong Chen	26,993	300,002.90
The George and Ann Lin 2005 Trust	33,191	368,888.09
ABG II-Hua Limited	125,066	1,389,996.03
6 Dimensions Capital, L.P.	418,837	4,654,996.30
6 Dimensions Affiliates Fund, L.P.	22,044	244,999.22
Prized Resources Holdings Limited	15,296	170,001.27
Fortune Triumph Holdings Limited	28,072	311,995.02
Kurt Berney, Esq.	17,995	199,998.23
Total	**1,746,328**	**19,408,864.02**

Name of Shareholder (second closing)	Number of Series D Preferred Shares	Purchase Amount (US$)
Tetrad Ventures Pte Ltd	719,806	7,999,995.86
Absolute Partners Master Fund Limited	719,806	7,999,995.86
Avict Global Holdings Limited	179,952	2,000,004.52
Praise Fortune Project Company Limited	71,981	800,004.03
Woodbury Capital Management Limited	17,995	199,998.23
BlackRock Health Sciences Trust	7,449	82,788.93
BlackRock Health Sciences Opportunities Portfolio, a series of BlackRock Funds	135,713	1,508,327.85
Total	**1,852,702**	**20,591,115.28**

Concurrently with the Series D financing, one of the Harvest Entities conducted the investment in Hua Shanghai, and in connection therewith, such Harvest Entity entered into an option agreement with the Company pursuant to which it has an option right to purchase from the Company 899,758 Series D-1 Preferred Shares upon repurchase by Hua HK or Hua Shanghai of its equity interests in Hua Shanghai, at an exercise price equal to the repurchase price for its equity interests in Hua Shanghai. For details, please see the paragraph headed "—Hua Shanghai" below.

(vii) ***Series E Financing***

In connection with the Series E financing, our Company issued (i) a total of 3,937,124 Series E Preferred Shares at a purchase price of US$13.3013 per share for a total consideration of US$52,368,867.46 at the initial closing on March 14, 2018, and (ii) 1,127,709 Series E Preferred Shares at a purchase price of US$13.3013 per share for a total consideration of US$14,999,995.72 at the second closing on March 26, 2018.

Name of Shareholder (Initial Closing)	Number of Series E Preferred Shares	Purchase Amount (US$)
Tetrad Ventures Pte Ltd	1,278,070	16,999,992.49
Absolute Partners Master Fund Limited	1,278,070	16,999,992.49
Avict Global Holdings Limited	601,445	8,000,000.38
Praise Fortune Project Company Limited	240,578	3,200,000.15
Woodbury Capital Management Limited	60,144	799,993.39
BlackRock Health Sciences Trust	19,558	260,146.83
BlackRock Health Sciences Opportunities Portfolio, a series of BlackRock Funds	356,345	4,739,851.75
Bryan White	75,181	1,000,005.04
The George and Ann Lin 2005 Trust	12,697	168,886.61
Enrique Becerra Soto	7,518	99,999.17
Stephen Patrick Gore	7,518	99,999.17
Total	**3,937,124**	**52,368,867.46**

Name of Shareholder (Second Closing)	Number of Series E Preferred Shares	Purchase Amount (US$)
Innovac International Limited	225,542	3,000,001.80
Ample Plus Ventures Limited	526,264	6,999,995.35
Mirae Asset-Celltrion New Growth Fund I	300,722	3,999,993.54
MIRAE ASSET Good Company Investment Fund #17-1	75,181	1,000,005.03
Total	**1,127,709**	**14,999,995.72**

For further details of the share subscriptions above, please see the paragraph headed "— Pre-IPO Investments" in this section.

(viii) ***Establishment of Employee Trust***

HLYY Limited (the "**Nominee**") was incorporated in BVI as a limited liability company and is wholly owned by The Core Trust Company Limited (the "**Trustee**"), an Independent Third Party. On August 26, 2018, the Company entered into a trust deed with the Trustee and the Nominee, pursuant to which the Trustee has agreed to act as the trustee to administer the Pre-IPO Share Incentive Scheme and to hold the Shares underlying the share options and awards granted under the Pre-IPO Share Incentive Scheme through the Nominee. On August 27, 2018, the Company allotted and issued 7,800,000 Shares to the Nominee at a nominal consideration of US$7,800.00. For details, please see "Appendix IV — Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Option Scheme" of this prospectus.

Hua HK

On August 12, 2010, Hua HK was established in Hong Kong as an investment holding company and has since been wholly-owned by the Company.

Hua Shanghai

On June 22, 2011, Hua Shanghai was established in the PRC as a wholly foreign owned limited liability company, or a WFOE, and was wholly-owned by Hua HK. The principal business of Hua Shanghai is the research and development of new drugs and medical technology, the transfer of proprietary technology and providing relevant technology consulting and services.

On April 14, 2016, Hua Shanghai further increased its registered capital to US$21,066,667, after which, Hua Shanghai was owned by Hua HK as to 96.62%, by the Harvest Entities as to 2.64% and by Frontline Suzhou Entities as to 0.74% and Hua Shanghai was converted from a WFOE to a joint venture.

On September 30, 2016, one of the Frontline Suzhou Entities transferred its 0.52% and 0.11% equity interests in Hua Shanghai to Suzhou Industrial Park Bainian Hualing Management Venture Capital Partnership (LP) (蘇州工業園區百年華領投資管理合夥企業(有限合夥)) ("Aeon Life") and Shanghai Longwin Tonghong Venture Capital Investment Management Partnership (LP) (上海朗聞通鴻投資管理合夥企業(有限合夥)) ("Shanghai Longwin"), respectively.

Hua Shanghai further increased its registered capital on April 25, 2017, and on January 30, 2018. Upon completion of the above capital increase, Hua Shanghai was owned by Hua HK as to 91.884%, by the Harvest Entities as to 6.883%, by Aeon Life as to 0.881%, by Suzhou Frontline as to 0.176% and by Shanghai Longwin as to 0.176%.

CORPORATE RESTRUCTURING

Starting from January 2018, we underwent the corporate restructuring as follows:

(1) Restructuring of Our Company

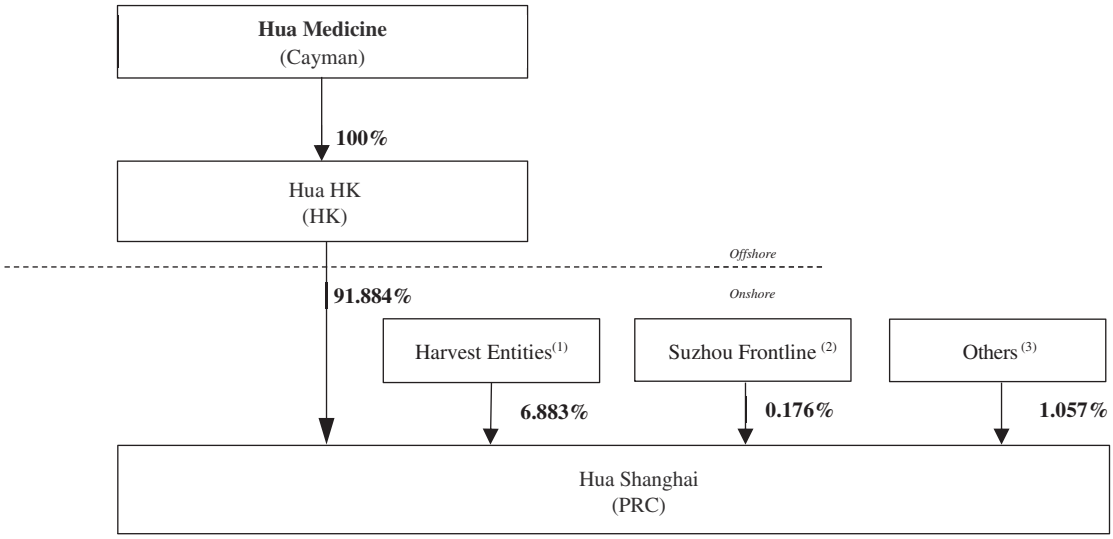
Immediately after the initial closing of the Series D financing on January 23, 2018, Harvest Cayman, as a designated affiliate of the Harvest Entities, (i) exercised the option right to purchase 2,981,114 Series C-1 Preferred Shares of the Company and paid the Company the aggregate option exercise price of US$2,981.12 and (ii) exercised the option right to purchase 899,758 Series D-1 Preferred Shares of the Company and paid the Company the aggregate option exercise price of US$899.76. In connection with such option exercises, the Company issued to Harvest Cayman 2,981,114 Series C-1 Preferred Shares and 899,758 Series D-1 Preferred Shares on January 23, 2018, and the Series C-2 Preferred Share and the Series D-2 Preferred Share previously issued to Harvest Cayman were cancelled simultaneously. On April 18, 2018, Suzhou Frontline, Aeon Life and Shanghai Longwin exercised their options to purchase an aggregate of 695,592 Series C-1 Preferred Shares of the Company, and the Series C-3 Preferred Share previously issued to an affiliate of Frontline Entities were cancelled simultaneously.

(2) Restructuring of Hua Shanghai

On February 1, 2018, the Harvest Entities entered into equity transfer agreements with Hua HK, pursuant to which all of the equity interests held by the Harvest Entities in Hua Shanghai (accounting for 6.883% of the total share capital of Hua Shanghai) were transferred to Hua HK for a total purchase price of US$2,000,000. The applicable registrations and filings with MOFCOM and SAIC with respect to such equity transfer were completed in February 2018.

On April 8, 2018, Suzhou Frontline, Aeon Life and Shanghai Longwin entered into equity transfer agreements with Hua HK, pursuant to which all of the equity interests held by them in Hua Shanghai (accounting for 1.233% of the total share capital of Hua Shanghai) were transferred to Hua HK for a total purchase price of US$7,000,000. The applicable registrations and filings with MOFCOM and SAIC with respect to such equity transfer were completed in April 2018.

A simplified corporate structure of our Group as of January 31, 2018 prior to the completion of the corporate restructuring is set out below:



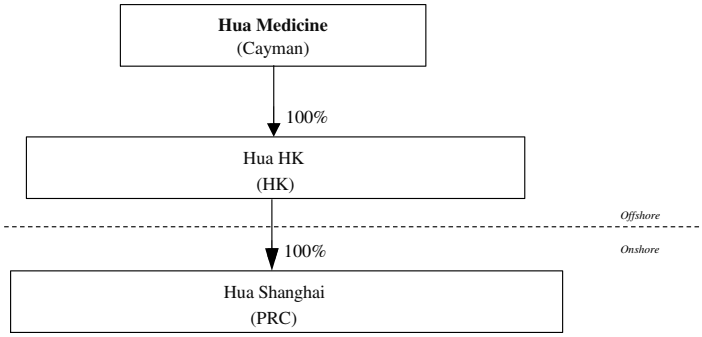
Notes:

(1) Harvest Entities include Shenzhen Jiashi Yuanxiang Venture Capital Investment Partnership (LP) (深圳嘉實元祥股權投資合夥企業(有限合夥)), Shannan Jiashi Bojun Venture Capital Investment Partnership (LP) (山南嘉實伯珺創業投資合夥企業(有限合夥)), Shannan Jiashi Chuangrong Venture Capital Investment Partnership (LP) (山南嘉實創榮創業投資合夥企業(有限合夥)) and Shanghai Jiaxuan Investment Center (LP) (上海嘉烜投資中心(有限合夥)), which respectively held 3.799%, 0.969%, 1.057% and 1.057% in Hua Shanghai as of January 31, 2018.

(2) Suzhou Frontline BioVentures Venture Capital Partnership (Limited Partnership) (蘇州通和創業投資合夥企業 (有限合夥)) held 0.176% in Hua Shanghai as of January 31, 2018.

(3) Others include Aeon Life and Shanghai Longwin which respectively held 0.881% and 0.176% in Hua Shanghai as of January 31, 2018.

A corporate structure of our Group upon completion of the corporate restructuring is set out below:



All consideration in the corporate restructuring have been fully settled. Our PRC Legal Adviser has confirmed that all relevant approvals and permits under PRC law in relation to the share transfers in respect of Hua Shanghai have been obtained and the procedures involved have been carried out in accordance with PRC laws and regulations. Our PRC Legal Adviser confirms that the share transfers and reorganizations in respect of Hua Shanghai have been properly and legally completed.

PRE-IPO INVESTMENTS

1. Overview

Our Company underwent five rounds of Pre-IPO Investments, including Series A financing, Series B financing, Series C financing, Series D financing and Series E financing, as described above.

The basis of determination for the consideration for the Pre-IPO Investments were from arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

In connection with the Pre-IPO Investments, the Pre-IPO Investors entered into the share subscription agreement, investors' rights agreement, right of first refusal and co-sale agreement at the time of their respective investments.

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

Shareholders	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series E Preferred Shares	Ownership percentage as of the date of this prospectus[1]	Ownership percentage as of the Listing Date[2]
ARCH Venture Fund VII, L.P.	500,000	1,420,444	4,900,273	1,428,571	—	89,976	—	13.21%	11.89%
Asia Ventures II L.P.	250,000	645,656	2,192,333	316,210	—	185,350	—	5.68%	5.12%
F-Prime Capital Partners Healthcare Fund II LP	250,000	645,656	2,192,333	316,210	—	44,988	—	5.46%	4.92%
Eight Roads Investments Limited	—	—	—	—	—	140,362	—	0.22%	0.20%
Venrock Associates V, L.P.	451,150	1,165,151	3,956,285	570,634	—	81,185	—	9.86%	8.88%
Venrock Partners V, L.P.	38,250	98,785	335,426	48,380	—	6,883	—	0.84%	0.75%
Venrock Entrepreneurs Fund V, L.P.	10,600	27,376	92,955	13,406	—	1,907	—	0.23%	0.21%
Sino-Alliance International, Ltd[3]	150,000	734,845	846,258	383,732	—	—	—	3.35%	3.02%
Wuxi Pharmatech Healthcare Fund I L.P.	—	762,086	2,994,835	922,857	—	255,531	—	7.82%	7.04%
Ge Li and Ning Zhao (as joint holders)	1,000,000	—	771,404	—	—	96,274	—	2.96%	2.66%
John J. Baldwin	—	—	771,404	—	—	—	—	1.22%	1.10%
John J. Baldwin and Ann M. Baldwin (as joint holders)	—	—	—	—	—	42,108	—	0.07%	0.06%
Alysia Baldwin Ferro	333,333	—	—	—	—	—	—	0.53%	0.48%
Tracy Baldwin	333,333	—	—	—	—	—	—	0.53%	0.48%
John K. Baldwin	333,334	—	—	—	—	—	—	0.53%	0.48%
Edgar Hotard	125,000	—	—	—	—	—	—	0.20%	0.18%
Jane Xingfang Hong	1,600,769	—	—	—	—	87,277	—	2.67%	2.41%
Kelly Xiao Chen	500,000	—	—	—	—	26,993	—	0.83%	0.75%
Kevin Hong Chen	500,000	—	—	—	—	26,993	—	0.83%	0.75%
The George and Ann Lin 2005 Trust	—	—	—	—	—	33,191	12,697	0.07%	0.07%
John Choi	1,050,385	—	—	—	—	—	—	1.66%	1.50%
ABG II-Hua Limited	—	—	—	2,285,715	—	125,066	—	3.82%	3.44%
China Life Sciences Access Fund, L.P.	—	—	—	571,428	—	—	—	0.90%	0.81%
6 Dimensions Capital, L.P.	—	—	—	—	—	418,837	—	0.66%	0.60%
6 Dimensions Affiliates Fund, L.P.	—	—	—	—	—	22,044	—	0.03%	0.03%
Prized Resources Holdings Limited	—	—	—	285,714	—	15,296	—	0.48%	0.43%
HARVEST YUANXIANG (CAYMAN) LIMITED	—	—	—	—	3,477,966	899,758	—	6.93%	6.24%
Parkway Limited	—	—	—	—	198,740	—	—	0.31%	0.28%
Fortune Triumph Holdings Limited	—	—	—	—	397,482	28,072	—	0.67%	0.61%
Kurt Berney, Esq.	—	—	—	—	—	17,995	—	0.03%	0.03%
Suzhou Industrial Park Bainian Hualing Management Venture Capital Partnership (LP) (蘇州工業園區百年華領投資管理合夥企業(有限合夥))	—	—	—	—	496,852	—	—	0.79%	0.71%

Shareholders	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series E Preferred Shares	Ownership percentage as of the date of this prospectus[1]	Ownership percentage as of the Listing Date[2]
Shanghai Longwin Tonghong Venture Capital Investment Management Partnership (LP) (上海朗聞通鴻投資管理合夥企業(有限合夥))	—	—	—	—	99,370	—	—	0.16%	0.14%
Suzhou Frontline BioVentures Venture Capital Partnership (Limited Partnership) (蘇州通和創業投資合夥企業)	—	—	—	—	99,370	—	—	0.16%	0.14%
Tetrad Ventures Pte Ltd	—	—	—	—	—	719,806	1,278,070	3.16%	2.85%
Absolute Partners Master Fund Limited	—	—	—	—	—	719,806	1,278,070	3.16%	2.85%
Avict Global Holdings Limited[3]	—	—	887,096	—	—	179,952	601,445	2.64%	2.38%
Huifu Investments Limited[3] (慧福投資有限公司)	—	—	725,807	—	—	—	—	1.15%	1.04%
Praise Fortune Project Company Limited	—	—	—	—	—	71,981	240,578	0.49%	0.45%
Woodbury Capital Management Limited[3]	—	—	250,000	—	—	17,995	60,144	0.52%	0.47%
BlackRock Health Sciences Trust	—	—	—	—	—	7,449	19,558	0.04%	0.04%
BlackRock Health Sciences Opportunities Portfolio, a series of BlackRock Funds	—	—	—	—	—	135,713	356,345	0.78%	0.32%
Innovac International Limited.	—	—	—	—	—	—	225,542	0.36%	0.75%
Ample Plus Ventures Limited	—	—	—	—	—	—	526,264	0.83%	0.11%
MIRAE ASSET Good Company Investment Fund #17-1	—	—	—	—	—	—	75,181	0.12%	0.11%
Mirae Asset-Celltrion New Growth Fund I	—	—	—	—	—	—	300,722	0.48%	0.43%
Bryan White	—	—	—	—	—	—	75,181	0.12%	0.11%
Enrique Becerra Soto	—	—	—	—	—	—	7,518	0.01%	0.01%
Stephen Patrick Gore	—	—	—	—	—	—	7,518	0.01%	0.01%
Qizhong Song	25,000	—	—	—	—	—	—	0.04%	0.04%
HLYY Limited	7,800,000	—	—	—	—	—	—	12.35%	11.12%
Other Shareholders	—	—	—	—	—	—	—	—	9.96%
Total	15,251,154	5,499,999	20,916,409	7,142,857	4,769,780	4,498,788	5,064,833	100.00%	100.00%

Notes:

(1) Based on the assumption that each Preferred Share will be converted into one ordinary Share upon the Global Offering becoming unconditional. All Preferred Shares will automatically be converted into the same number of ordinary Shares upon Listing.

(2) After completion of the Capitalization Issue and Global Offering without taking into account the Shares to be allotted and issued under the Post-IPO Share Option Scheme and the Over-allotment Option.

(3) Sino-Alliance International, Ltd transferred 887,096, 725,807 and 250,000 Series A-2 Preferred Shares to Avict Global Holdings Limited, Huifu Investments Limited (慧福投資有限公司) and Woodbury Capital Management Limited, respectively, on April 18, 2018 at a price of US$12.40 per each Series A-2 Preferred Share.

2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' Rights

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

	Series A-1	Series A-2	Series B	Series C	Series D	Series E
Cost per Preferred Share paid . .	US$1.00	US$0.75 (conversion of notes)	US$3.50	US$10.06335	US$11.1141	US$13.3013
Date of the agreement . .	May 16, 2014	May 16, 2014	January 6, 2015	April 18, 2016	January 22, 2018	March 12, 2018
Date on which investment was fully settled.	May 16, 2014	May 16, 2014	August 6, 2015	March 9, 2017	March 14, 2018	March 26, 2018
Discount to the Offer Price[(1)].	94.0%	95.5%	79.1%	40.0%	33.8%	20.7%

Lock-Up Period	The equity securities of the Company acquired by the Pre-IPO Investors in the Pre-IPO Investments will be subject to a lock-up period of 180 days from the Listing Date, except for transfer to a Pre-IPO Investor's affiliate or with prior written consent of the Company, the Joint Sponsors and the Joint Global Coordinators.
Use of Proceeds from the Pre-IPO Investments	We utilized the proceeds for the development and operation of the business of the members of the Group, including but not limited to, clinical trials, product development, personnel recruitment, office utilities and marketing. As at March 31, 2018, approximately 35% of the net proceeds from the Pre-IPO Investments by the Pre-IPO Investors were utilized. We intend to utilize the remaining net proceeds from the Pre-IPO Investments after we have utilized the net proceeds from the Global Offering.
Strategic benefits of the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and the Pre-IPO Investors' knowledge and experience.

Note:

(1) The discount to the Offer Price is calculated after adjustment pursuant to the Capitalization Issue and based on the assumption that the Offer Price is HK$8.78 per Share, being the mid-point of the indicative Offer Price range of HK$8.28 to HK$9.28, on the basis that the conversion of the Preferred Shares into ordinary Shares and the Capitalization Issue have completed prior to Listing.

In addition to the terms described above, the holders of the Preferred Shares have been granted the following special rights, each of which shall automatically terminate immediately prior to Listing when the Preferred Shares are converted into ordinary shares of US$0.001 each:

Conversion Rights

Optional conversion

At the option of the holder of Preferred Shares, a Preferred Share may be converted into fully paid and non-assessable shares based on the then applicable conversion price.

Automatic conversion

The Preferred Shares shall be automatically converted into fully paid, non-assessable shares based on the then applicable conversion price upon the earlier of (i) the closing of a Qualified IPO or (ii) the date specified by written consent or agreement of (x) the Majority Preferred Holders and (y) the Majority Series E Holders; provided, however, with respect to sub clause (ii)(y) only, no additional consent of any holder of the Series E Preferred Shares is required to effectuate the conversion of the Series E Preferred Shares if such conversion is in connection with an underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in the United States or in another jurisdiction which results in the Ordinary Shares trading publicly on a recognized international securities exchange (other than a Qualified IPO) and the offering price per share of such initial public offering represents a pre-offering valuation of the Company of at least US$800,000,000.

"Majority Preferred Holders" means the holders of at least a majority of the voting power of the then issued and outstanding Preferred Shares, voting together as a single class.

Qualified IPO

"Qualified IPO" means the closing of a firm commitment underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in the United States pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, (i) with an offering price per share that represents a pre-offering valuation of the Company of at least US$900,000,000; and (ii) resulting in at least US$100,000,000 of net proceeds to the Company (net of the underwriting discount and commissions), or in a public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in another jurisdiction which results in the Ordinary Shares trading publicly on a recognized international securities exchange approved by the Majority Preferred Holders, voting as a single class, so long as such offering satisfies the foregoing pre-offering valuation requirements.

The Global Offering is a Qualified IPO and all Preferred Shares will be automatically converted into Shares upon Listing.

	Anti-dilution protection The initial conversion ratio for each Preferred Share to ordinary share of US$0.001 each shall be 1:1. The conversion ratio, which shall initially be based on the issue price of the Preferred Shares, shall be adjusted from time to time by customary events such as share dividends, subdivisions, combinations or consolidations of ordinary shares, other distribution reclassification, exchange and substitutions, including, among others, in the event of an issuance of new securities below the applicable conversion price. No adjustment will be made to the conversion ratio in connection with a Qualified IPO, including the Global Offering. The adjustment to the conversion ratio of the Preferred Shares is not linked to the Offer Price or the market capitalization of our Company upon Listing and is in line with the principles and requirements promulgated by the Stock Exchange.
Dividend rights	Each holder of Preferred Shares shall be entitled to receive accruing dividends, prior and in preference to any declaration or payment of any dividend on the prior series of Preferred Shares and Ordinary Shares, at the rate of 4% per annum based on the actual number of days elapsed. Such dividends shall accrue from day to day, compounded annually, and be cumulative and payable (i) when, as and if declared by the Board of Directors or (ii) upon the occurrence of a Liquidation Event, in which case to the extent required by, and subject to, applicable law, the Board of Directors shall declare such dividends or distributions payable, or (iii) upon the redemption. In addition, each holder of Preferred Shares shall also be entitled to participate on an as-converted basis pro-rata in any dividends or distributions paid to the holders of Ordinary Shares.
Redemption rights	On or after three years from March 14, 2018, the holders of at least two-thirds of the voting power of a series of Preferred Shares then issued and outstanding may request that the Company redeem all outstanding Preferred Shares of such series (prior and in preference to any redemption of the prior series of Preferred Shares) at a price per share equal to original per share subscription price for such series of Preferred Shares plus all accrued but unpaid dividends thereon.
Information and inspection rights	The Pre-IPO Investors have the right to receive certain financial statements and other information about our Company. The Pre-IPO Investors have the right to inspect the Group's facilities, examine its books of accounts and records.
Liquidation rights	The holders of the Preferred Shares are entitled to receive an amount equivalent to their initial investment plus all declared but unpaid dividends in preference to any other Shareholders in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

Right to elect director and participation in Board and Board committee	The Company shall have a board of directors consisting of up to nine authorized directors, including (i) one director appointed by Harvest for so long as it holds the most voting power of the Series C Preferred Shares, (ii) one director appointed by Ally Bridge Group for so long as it holds at least 50% of the Series B Preferred Shares originally issued to it, (iii) one director appointed by China Life Sciences Access Fund for so long as it holds at least 50% of the Series B Preferred Shares originally issued to it, (iv) one director appointed by Arch Ventures for so long as it holds at least 50% of the Series A Preferred Shares originally issued to it, (v) one director appointed by F-Prime Capital for so long as it holds at least 50% of the Series A Preferred Shares originally issued to it, (vi) one director appointed by Venrock for so long as it holds at least 50% of the Series A Preferred Shares originally issued to it, (vii) one director appointed by Wuxi Ventures for so long as it holds at least 50% of the Series A Preferred Shares originally issued to it, (viii) one director appointed by Dr. Li Chen for so long as he continues to provide services to the Company and (ix) remaining director to be appointed by holders of a majority of the voting power of the issued and outstanding Preferred Shares and Ordinary Shares (voting together as a single class on an as-converted basis).
Pre-emptive right	Each Pre-IPO Investor shall have the pre-emptive right to purchase up to a pro rata share of any new securities which our Company may propose to issue.
Right of first refusal and co-sale	If any shareholder proposes to transfer any securities of our Company (the "Offered Shares") held by it to any third party prospective buyer, the Pre-IPO Investors have a right of first refusal to purchase all the Offered Shares on a pro rata basis on the terms and conditions stated in the transfer notice given by the transferring shareholders. In the event that the Pre-IPO Investors do not exercise their right of first refusal with respect to all of the Offered Shares, the Pre-IPO Investors who exercised their rights of first refusal have the right to participate in the sale of the remaining Offered Shares on the same terms and conditions as set forth in the transfer notice given by the transferring shareholder.
Drag-along obligations	If at any time the Majority Preferred Holders (the "Drag Holders") and the board of directors of our Company approve in writing a Deemed Liquidation Event, whether structured as a merger, reorganization, asset sale, share sale, sale of control of the Company, or otherwise, and the valuation of the Company is no less than US$1,200,000,000 for such merger, reorganization, asset sale, share sale, sale of control, to any person that is not an affiliate of the Group and the Drag Holders (the "Offeror"), then at the request of the Drag Holders, each shareholder shall vote their shares in favor of such Deemed Liquidation Event and sell all of its shares in the Company to the Offeror at the same time as the Drag Holders.

"Deemed Liquidation Event" means any of the following events: (1) (A) any consolidation, amalgamation, scheme of arrangement or merger of a Group Company with or into any other Person or other reorganization in which the Members or shareholders of such Group Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or (B) any transaction or series of related transactions to which a Group Company is a party in which fifty percent (50%) or more of such Group Company's voting power or equity interest is transferred; or (2) a sale, transfer, lease or other disposition of all or substantially all of the assets or business of the Group Companies taken as a whole (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies taken as a whole), including the transfer and/or exclusive licensing of all or substantially all of the Group Companies' Intellectual Property to a third party; provided that corporate activities taken solely for the purpose of achieving a Qualified IPO shall not in any case be a "Deemed Liquidation Event."

Protective Provisions

Certain corporate actions require the approval of the Majority Preferred Holders. These corporate actions include, among others, (i) any Deemed Liquidation Event, (ii) any amendment to the Memorandum and Articles of the Company, (iii) any change to the size of the board of directors of the Company, (iv) any public offering of any Equity Securities of any Group Company, including determination of listing venue and valuation, (v) any appointment, change or removal of the chief executive officer of any of the Group Companies, and (vi) any declaration, set aside or payment of a dividend or other distribution by any of the Group Companies, or the adoption of, or any change to, the dividend policy of any Group Company.

Certain corporate actions require the approval of at least a majority of the Preferred Directors. These corporate actions include, among others, (i) any incurrence of indebtedness or capital expenditure in excess of US$150,000 in the aggregate, or any commitment made by the Company to a third party in excess of US$300,000, in each case not contemplated by the Company's Board-approved operating budget; (ii) approval of annual and quarterly financial budget, (iii) appointment, removal and determination of the scope and the remuneration package of senior management (including Chief Executive Officer, Chief Financial Officer, Chief Operating Office, Chief Technology Officer, Vice President and other similar positions) and any employee with annual salary in excess of USD100,000 of the Group Companies (iv) approve, amend and implement the Pre-IPO Share Incentive Scheme, determine grants under the Pre-IPO Share Incentive Scheme and increase in the number of shares reserved under the Pre-IPO Share Incentive Scheme, (v) grant of any stock option or stock equivalent containing acceleration of vesting provisions upon a change of control of the Company, sale of all or substantially all assets of the Company, termination or similar event, and (vi) any transaction with any director or management employee or immediate families thereof.

3. **Information about the Pre-IPO Investors**

Our Pre-IPO Investors are mainly sophisticated investors, such as dedicated healthcare funds and biotech funds as well as established funds with a focus on investments in the biopharmaceutical sector, including the following:

(i) ARCH Ventures Fund VII, L.P. ("ARCH") is a venture capital fund managed by ARCH Venture Partners, a venture capital firm specializing in investments in seed and early-stage technology companies with a primary focus on life sciences, of which our Director, Mr. Robert Taylor Nelsen, is a managing director. Its portfolio companies include, among others, Illumina, Inc., Agios Pharmaceuticals, Alnylam Pharmaceuticals, Bluebird Bio, Grail, Inc., Denali Therapeutics, Juno Therapeutics, Kythera Biopharmaceuticals, Receptos, WuXi NextCODE, all of which are biotechnology companies.

(ii) The Venrock Entities, which include Venrock Associates V, L.P., Venrock Partners V, L.P., Venrock Entrepreneurs Fund V, L.P., are investment funds managed by Venrock, a venture capital and private equity firm specializing in seed, early stage, late-stage, mezzanine, growth capital, and first round investments with a primary focus on technology and healthcare. Venrock's healthcare funds have invested in a number of biotech/healthcare companies, such as Adnexus Therapeutics, Idec Pharmaceuticals, Illumina, Millennium Pharmaceuticals and Sirna Therapeutics.

(iii) F-Prime Capital Partners Healthcare Fund II LP ("F-Prime Capital Fund II") is a global venture capital investment fund managed by Impresa Management LLC., and it and its affiliated funds invest in healthcare and technology sectors in the US, Europe and Asia with portfolio companies including Blueprint Medicines, Denali Therapeutics, Shanghai Hile

Bio-Technology, Ironwood Phatmaceuticals, Innovent Biologics, Semma Therapeutics and Ultragenyx Pharmaceutical. Asia Ventures II L.P. and Eight Roads Investments Limited (collectively "Eight Roads Entities") are part of Eight Roads, the proprietary investment arm of FIL Limited which mainly focuses on private investment in healthcare, enterprise technology, financial technology and consumer technology sectors in China and globally. Eight Roads has invested in a number of biotech/healthcare companies, including, among others, Wuxi AppTec, Shanghai Hile Bio-Technology, Innovent Biologics, Denali Therapeutics, and Semma Therapeutics.

(iv) Wuxi Pharmatech Healthcare Fund I L.P. ("Wuxi") is an investment fund of Wuxi Healthcare Ventures, a spin-off from WuXi AppTec Co., Ltd.'s corporate venture department in 2011 investing in healthcare and life sciences industry. Dr. Ge Li, our former Director, holds over 30% in Wuxi and Dr. Ge Li together with his wife, Dr. Ning Zhao (collectively the "Ge Li Family") also directly hold 2.96% of the Company. Save as disclosed above, no other family members of Dr. Li hold any shares of the Company. The Frontline Entities belong to Frontline BioVentures, a venture capital firm with expertise and broad network in the life sciences industry in China of which our Director, Mr. Lian Yong Chen, is a managing partner. In May 2017, Wuxi Healthcare Ventures and Frontline BioVentures merged to form one healthcare investment group named 6 Dimensions Capital with an in-depth focus in healthcare and extensive coverage across China and the U.S., which further increased its investment in the Company through 6 Dimensions Capital, L.P. and 6 Dimensions Affiliates Fund, L.P. (collectively, the "6 Dimensions Entities") in the Series D financing. The portfolio companies of 6 Dimensions Capital include, among others, Birdie Biopharmaceuticals, Ideaya Biosciences and IMPACT Therapeutics, all of which are biotech/pharmaceutical companies.

(v) ABG II-Hua Limited ("ABG") is controlled by Ally Bridge Group, a global healthcare-focused investment group. It has expertise in cementing strategic partnerships between emerging healthcare companies and industry leaders, and across different geographies, particularly between China and the U.S., with portfolio companies including Wuxi AppTec, Vifor Pharma, Life Tech Scientific, Tesaro, Inc., BeiGene, Ltd., Innovent Biologics, Inc. and Grail, Inc. and other healthcare/biotech companies.

(vi) The Harvest Entities and Harvest Cayman belong to Harvest Investments Management Co., Ltd. ("Harvest Investments"), a leading private equity firm in China. With around RMB10 billion assets under management, Harvest Investments has successfully identified, invested in and partnered with pharmaceutical companies and companies with leading technology in China. Its portfolio companies include Viroad, Shanghai STA, Mabworks Biotech, Beijing Jingdu Children's Hospital and other healthcare/biotech companies.

The above sophisticated investors have invested approximately US$59.0 million in the Company in total and will collectively hold approximately 52.93% of the total issued Shares upon completion of the Global Offering (assuming the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme are not exercised).

Our investors also include our Directors, former director of our subsidiary and their family members:

(i) The Baldwin Family includes our portfolio advisory board member Dr. John J. Baldwin (who is also a former director of Hua HK) and his family members Ann M. Baldwin, Alysia Baldwin Ferro, Tracy Baldwin and John K. Baldwin. Save as disclosed above, no other family members of Dr. Baldwin hold any shares of the Company.

(ii) Li Chen Family includes Ms. Jane Xingfang Hong, the wife of our founder and Director Dr. Li Chen, and Dr. Chen's children, Kelly Xiao Chen and Kevin Hong Chen. Save as disclosed above, no other family members of Dr. Chen hold any shares of the Company.

(iii) The George and Ann Lin 2005 Trust is a family trust set up by our Director, Mr. George Lin.

Other investors of our Company include private investors and special purpose vehicles, all of which are Independent Third Parties.

4. **Public Float**

Upon completion of the Global Offering (assuming the Over-allotment Option and options which may be granted under the Post-IPO Share Option Scheme are not exercised), ARCH will hold approximately 11.89% of the total issued Shares; therefore, it is a substantial Shareholder and its Shares will not count towards the public float. In addition, Dr. Lian Yong Chen, one of our Directors, is the general partner of China Life Sciences Access Fund, L.P. which will hold 0.81% of the total issued Shares upon completion of the Global Offering and such Shares will not count towards the public float. The Shares in which the Li Chen Family and The George and Ann Lin 2005 Trust are interested in, representing approximately 3.91% and 0.07% of the total issued Shares, respectively, will also not count towards the public float as such Shares are either held or financed by a Director or his close associates. In addition, the Shares held by the Nominee in trust under the Pre-IPO Share Incentive Scheme, representing approximately 11.12% of the total issued Shares after completion of the Global Offering will also not count towards the public float. Save as disclosed above, to the best of the Directors' knowledge, all other investors and shareholders of the Company are not core connected persons of our Company. As a result, a total of approximately 62.24% of the Shares (upon completion of the Global Offering without taking into account the Shares which may be issued under the Over-allotment Option and Post-IPO Share Option Scheme) with a market capitalization of approximately HK$5,748 million (based on the Offer Price of HK$8.78, being the mid-point of the indicative Offer Price range) held by our existing shareholders will count towards the public float; hence, over 25% of the Company's total issued Shares will be held by the public upon completion of the Global Offering in accordance with the requirements under 8.08(1)(a) of the Listing Rules.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

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

PRC REGULATORY REQUIREMENTS

Hua Shanghai has already obtained the record-filing certificate for the share transfers in accordance with the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) and the new business license has been obtained. Our PRC Legal Adviser has confirmed that the share transfers and reorganizations in respect of Hua Shanghai as described above have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

M&A Rules

As disclosed in the section headed "Regulatory Overview — Regulations on Company Establishment and Foreign Investment" in this prospectus, the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules") require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle, or a SPV, established or controlled by a PRC company or individual shall obtain approval from MOFCOM prior to the acquisition of any domestic enterprise related to such company or individual. The M&A Rules, among others, also require that an offshore SPV formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

As advised by our PRC Legal Adviser, since our Company is not controlled by PRC enterprises or individuals, this Offering is not subject to any further approval, or consent under the M&A Rules, including but not limited to the approval or consent of MOFCOM or the CSRC.

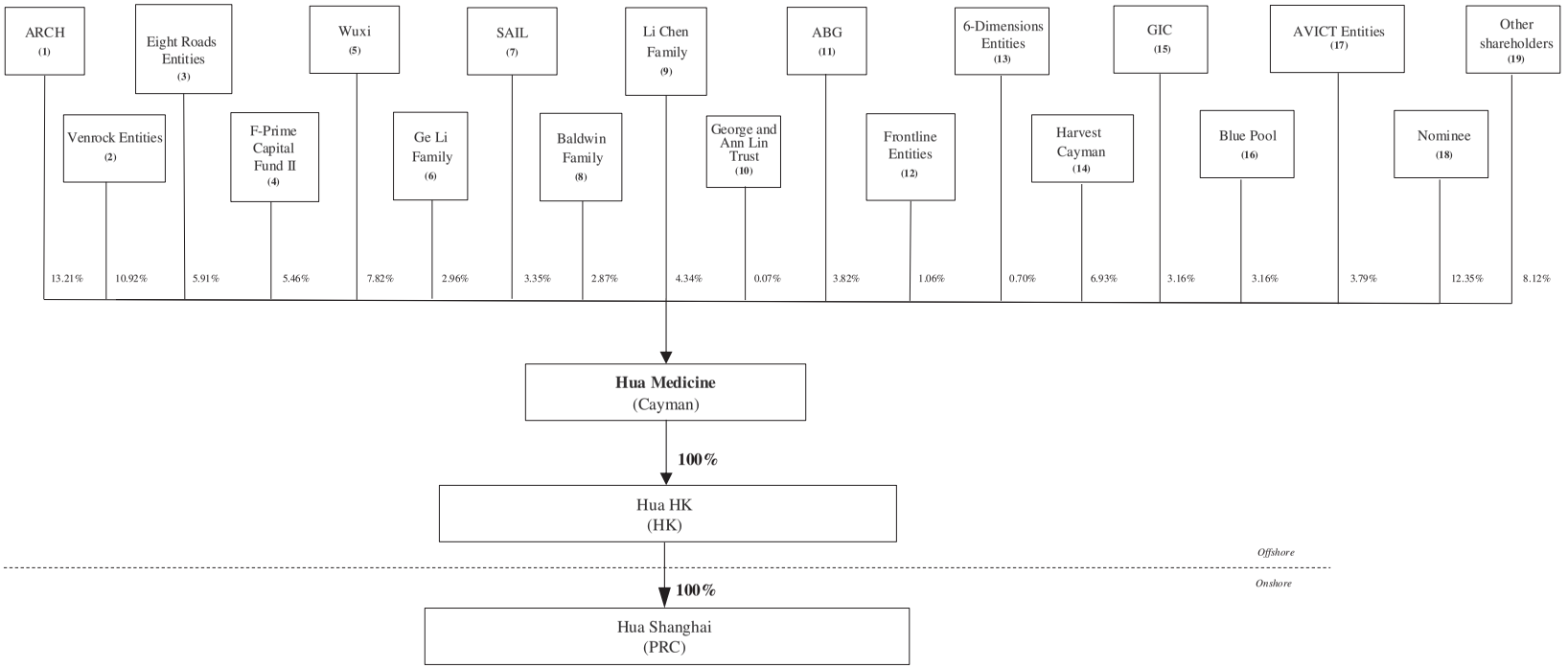
SAFE Circular 37 and Related Rules

As disclosed in the section headed "Regulatory Overview — Foreign Exchange Control" in this prospectus, SAFE Circular 37 requires PRC residents to register with local branches of SAFE with regards to their direct establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing and hold such PRC residents' legally owned assets or equity investments in domestic enterprises or offshore assets or interests (referred to as a "special purpose vehicle" in SAFE Circular 37). SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. The Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), effective from June 1, 2015, further simplifies the registration procedure under SAFE Circular 37 and delegates a qualified local bank to conduct the relevant registration of PRC residents.

We have requested our current shareholders to disclose whether their shareholders or beneficial owners are PRC residents under SAFE Circular 37 and the related rules, and urged those who are PRC residents to register with a qualified local bank as required. As confirmed by our shareholders, they and their beneficial owners have all complied with the requirements of SAFE Circular 37 and the related rules. Our PRC Legal Adviser is of the view that, as reasonably disclosed and confirmed by our Company, the Company and its shareholders have complied with SAFE Circular 37 and the related rules in all material aspects. Our PRC Legal Adviser further advises that there still remains uncertainty as to interpretation and implementation of SAFE Circular 37 and the related rules at practice level.

OUR STRUCTURE AFTER COMPLETION OF THE CORPORATE RESTRUCTURING

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



Notes:

(1) ARCH Venture Fund VII, L.P. is a limited partnership established in the United States.

(2) Venrock entities are all established in the United States. Venrock Associates V, L.P., Venrock Partners V, L.P., Venrock Entrepreneurs Fund V, L.P. hold 9.86%, 0.84% and 0.23%, respectively, of the Company.

(3) Both Eight Roads Entities are established in Bermuda. Asia Ventures II L.P. and Eight Roads Investments Limited hold 5.68% and 0.22%, respectively of the Company.

(4) F-Prime Capital Fund II is a limited partnership established in the United States.

(5) Wuxi Pharmatech Healthcare Fund I L.P. is a limited partnership established in the Cayman Islands.

(6) Ge Li and his wife Ning Zhao collectively hold 2.96% of the Company. Ge Li holds over 30% in Wuxi Pharmatech Healthcare Fund I L.P.

(7) Sino-Alliance International, Ltd ("SAIL") is a limited company established in the Cayman Islands and is wholly-owned by Shanghai Alliance Investment Ltd, a private equity and venture capital arm of the Shanghai Municipal Government.

(8) Baldwin family collectively hold 2.87% of the Company. John J. Baldwin on his own and jointly with his wife Ann M. Baldwin, Alysia Baldwin Ferro, Tracy Baldwin and John K. Baldwin hold 1.22%, 0.07%, 0.53%, 0.53% and 0.53%, respectively, of the Company.

(9) Li Chen family collectively hold 4.34% of the Company. Dr. Li Chen's wife, Jane Xingfang Hong, and their children Kelly Xiao Chen and Kevin Hong Chen hold 2.67%, 0.83% and 0.83%, respectively, of the Company.

(10) The George and Ann Lin 2005 Trust holds 0.07% of the Company.

(11) ABG II-Hua Limited is a limited company established in the BVI.

(12) Frontline Entities, including China Life Sciences Access Fund, L.P. and Suzhou Frontline BioVentures Venture Capital Partnership (Limited Partnership) (蘇州通和創業投資合夥企業(有限合夥)), hold 0.90% and 0.16%, respectively, of the Company.

(13) The 6 Dimensions Entities include 6 Dimensions Capital, L.P. and 6 Dimensions Affiliates Fund, L.P., both of which are established in the Cayman Islands and hold 0.66% and 0.03%, respectively, of the Company.

(14) Harvest Yuanxiang (Cayman) Limited is a limited company established in the Cayman Islands.

(15) Tetrad Ventures Pte Ltd ("GIC") is a limited company established in Singapore and managed by GIC Special Investments Pte Ltd which is wholly-owned by GIC Pte Ltd, a global asset management company established in 1981 to manage Singapore's foreign reserves.

(16) Absolute Partners Master Fund Limited ("Blue Pool") is an investment fund established in the Cayman Islands and managed by Blue Pool Capital Limited, a multi-strategy investment firm based in Hong Kong.

(17) Avict Entities include Avict Global Holdings Limited, a company established under the laws of the BVI and Huifu Investments Limited (慧福投資有限公司), a company established under the laws of Hong Kong, holding 2.64% and 1.15%, respectively, of the Company.

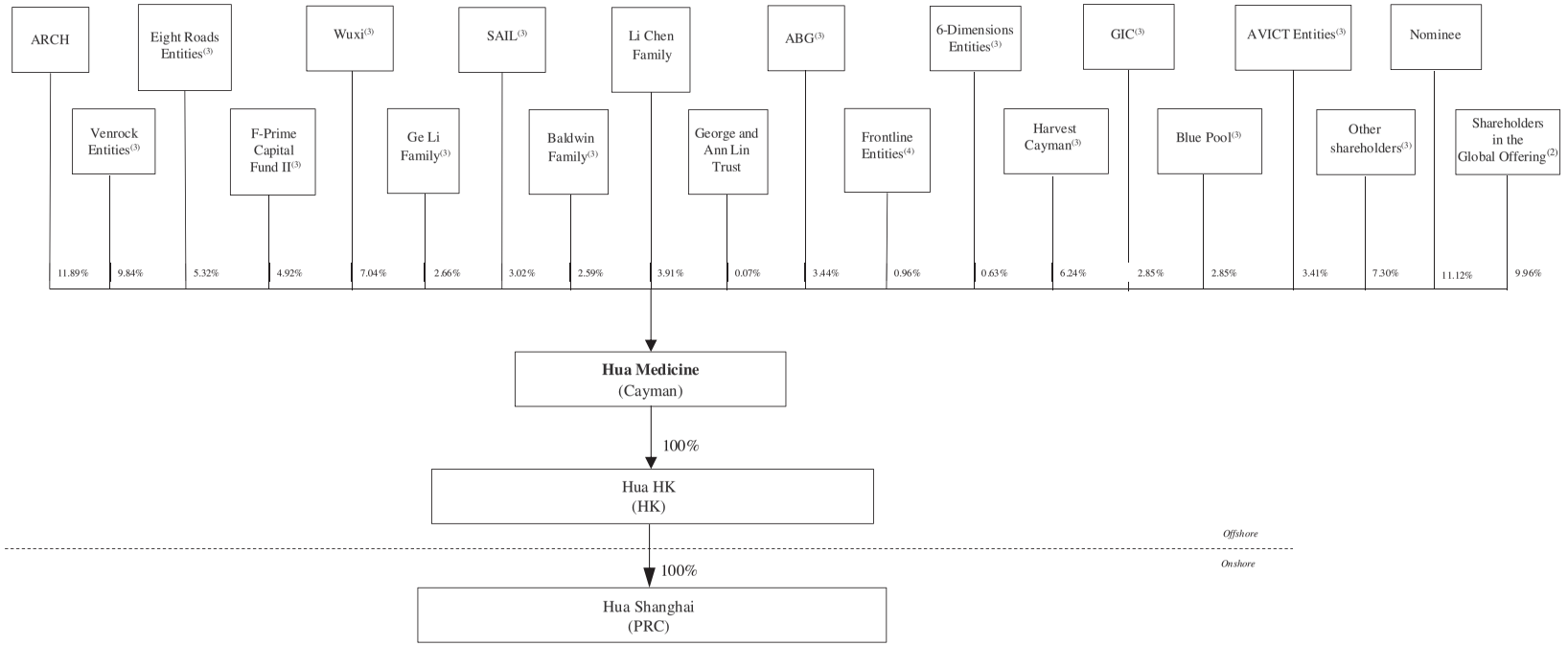
(18) The Shares were held by the Nominee, HLYY Limited (being a wholly owned subsidiary of The Core Trust Company Limited, an Independent Third Party), in trust to satisfy the options and awards granted under the Pre-IPO Share Incentive Scheme upon exercise or vesting.

(19) Edgar Hotard, John Choi, Prized Resources Holdings Limited, Parkway Limited, Fortune Triumph Holdings Limited, Kurt Berney, Esq (a partner of O'Melveny & Myers, the legal advisers of the Company as to Hong Kong and United States laws in respect of the Global Offering), Praise Fortune Project Company Limited, Woodbury Capital Management Limited, BlackRock Health Sciences Trust, BlackRock Health Sciences Opportunities Portfolio, a series of BlackRock Funds, Innovac International Limited, Ample Plus Ventures Limited, MIRAE ASSET Good Company Investment Fund #17-1, Mirae Asset-Celltrion New Growth Fund I, Shanghai Longwin Tonghong Venture Capital Investment Management Partnership (LP) (上海朗通投管理合夥企业(有限合夥)), Suzhou Industrial Park Bainian Hualing Management Venture Capital Partnership (LP) (蘇州工業園區百年華領投資管理合夥企業(有限合夥)), Bryan White, Enrique Becerra, Stephen Gore and Qizhong Song, hold 0.20%, 1.66%, 0.48%, 0.31%, 0.67%, 0.03%, 0.49%, 0.52%, 0.04%, 0.78%, 0.36%, 0.83%, 0.12%, 0.48%, 0.79%, 0.16%, 0.12%, 0.01%, 0.01% and 0.04%, respectively.

(20) Based on the assumption that each Preferred Share will be converted into one ordinary Share of US$0.001 each upon the Global Offering becoming unconditional, all Preferred Shares will automatically be converted into the same number of ordinary Shares upon Listing.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme are not exercised):



Notes:

(1) Based on the assumption that each Preferred Share will be converted into one ordinary Share upon the Global Offering becoming unconditional. All Preferred Shares will automatically be converted into the same number of ordinary Shares upon Listing.

(2) Shareholders in the Global Offering includes our Shareholders allocated with Offer Shares under the Global Offering. Shareholders who are our core connected persons will not be counted towards the public float.

(3) The equity interests held by these shareholders will be counted towards the public float. For details, please see "— 4. Public Float" above.

(4) Frontline Entities, including China Life Sciences Access Fund, L.P. and Suzhou Frontline BioVentures Venture Capital Partnership (Limited Partnership) (蘇州通和創業投資合夥企業(有限合夥)), will hold 0.81% and 0.14%, respectively, of the Company immediately upon completion of the Global Offering. As disclosed under "—4. Public Float", as Dr. Lian Yong Chen, one of our Directors, is the general partner of China Life Science Access Fund, L.P., the 0.81% equity interest held by China Life Science Access Fund L.P. will not count towards the public float and the 0.14% equity interest held by Suzhou Frontline BioVenture Capital Partnership (Limited Partnership) will be counted towards the public float.

Overview

Hua Medicine is a China-based drug development company currently focused on developing a global first-in-class oral drug, Dorzagliatin or HMS5552, for the treatment of Type 2 diabetes. Dorzagliatin is a glucokinase activator, or GKA, designed to control the progressive degenerative nature of diabetes by restoring glucose homeostasis in Type 2 diabetics. By addressing the glucose sensing function of glucokinase, or GK, we believe Dorzagliatin has the potential to serve as a first-line standard of care therapy for the treatment of Type 2 diabetes, as a monotherapy, and as a cornerstone therapy when taken in combination with currently approved anti-diabetic drugs. Our Phase I and II trials demonstrated proof-of-concept, with participants showing clinically significant reductions in blood glucose and hemoglobin A1C, or HbA1c, levels, with increased β-cell (beta-cell) function in the pancreas, and decreased insulin resistance. In our 12-week, 258-patient Type 2 diabetes trial in China, Dorzagliatin demonstrated a 1.12% HbA1c reduction (0.81% as adjusted for placebo) in the 75 mg twice daily dosage group (the dosage we are using in our Phase III trials). 44.9% of the patients in this group were able to achieve glycemic control (as measured by HbA1c levels below 7.0% at week 12) and 75.0% were able to reduce their HbA1c baseline levels by greater than 10% at week 12. In addition, 35.4% of these patients achieved a composite endpoint based upon the following three separate clinical endpoints: (i) glycemic control of HbA1c levels below 7.0%; (ii) no weight gain; and (iii) no hypoglycemia (dangerously low blood glucose levels). The effect of restoring glucose homeostasis is evident from the results of our Phase II trial, where a relatively high percentage of patients (35.4%) achieved the composite endpoint, and further supported by the high percentage of patients (75.0%) that achieved a reduction in HbA1c levels of greater than 10% from baseline, even though Dorzagliatin was administered only for 12 weeks. The principal purpose of our Phase II trial was to identify the optimum dosage to take into Phase III trials, and not to demonstrate long-term efficacy (12 weeks being too short a period to confirm long-term efficacy). These results however, coupled with the continued effect of improved β-cell function and reduced insulin resistance at the end of week 13 (one week after our Phase II trials ended), represent a significant improvement, and provide a clearly differentiated disease-modifying effect profile, over currently available anti-diabetics drugs.

We are currently conducting two Phase III trials in China, with Dorzagliatin both as a monotherapy and in combination with metformin (the most widely-used oral anti-diabetic drug, or OAD). We expect to complete patient enrollment for our Dorzagliatin Phase III trials in China by the first half of 2019, and to announce Phase III results in the second half of 2019. Upon achieving positive Phase III results, we plan to submit a new drug application, or NDA, in China on a rolling basis with the CDA by 2019 for Dorzagliatin as a Category 1 drug, and achieve China Drug Administration, or CDA, approval by the end of 2020 or the first half of 2021. CDA approval is not legally required under Chinese regulations to advance to the next phase of clinical trials once the initial clinical trial application is approved. We have actively reported to, and consulted with, the CDA about our clinical trial results, and sought their agreement on the principal efficacy and safety endpoints before initiating each phase of our clinical trials, which is consistent with prior and current CDA requirements. As one of our Phase III trials is evaluating the efficacy of Dorzagliatin as monotherapy treatment for drug-naive Type 2 diabetics, it would be *de facto* a first-line therapy in China, if approved by the CDA. Similarly, our other Phase III trial is evaluating the efficacy of Dorzagliatin in combination with metformin in Type 2 diabetics. Given that metformin is already one of the first-line treatments prescribed in China by the Chinese Medical Association, Dorzagliatin

would be available as an add-on therapy in China for Type 2 diabetics who are taking or have taken metformin (the currently preferred first-line treatment in China), if approved by the CDA. We also plan to partner with international pharmaceutical companies to make our drug available to patients outside of China.

Diabetes is a chronic condition that occurs when there are abnormally elevated levels of glucose in the blood, a condition known as hyperglycemia. Type 1 diabetes occurs when the body cannot produce the hormone insulin, which is required to control blood glucose levels, and Type 2 diabetes occurs when the body cannot produce enough insulin or use insulin effectively. If left untreated, hyperglycemia can cause damage to various body organs over the long term, leading to the development of debilitating and potentially fatal health complications such as loss of vision, peripheral neuropathy, impaired kidney function, cardiovascular disease, and stroke. Diabetes is a progressively degenerative disease, with Type 2 diabetics gradually losing the ability to produce insulin over time.

According to Frost & Sullivan, in 2017, there were 453 million diabetics globally, and approximately 95% of diabetics, or 435 million individuals, had Type 2 diabetes. The total number of Type 2 diabetics is expected to grow to 561 million by 2028. China currently has the largest population of Type 2 diabetics, with 120 million individuals in 2017. In addition, Frost & Sullivan estimates that 47.7% of the Type 2 diabetics in China are undiagnosed as of 2017, but that that number will decrease to 17.8% by 2028. Frost & Sullivan projects that the China anti-diabetics market will grow from RMB51.2 billion in 2017 to RMB173.9 billion by 2028, representing a compound annual growth rate, or CAGR, of 11.8%. Currently approved diabetes therapies cannot effectively control the progression of diabetics into more advanced stages of the disease, which then leads to the many complications associated with severe diabetes, such as loss of vision, peripheral neuropathy, impaired kidney function, cardiovascular disease, and stroke. According to Frost & Sullivan, the total global costs associated with diabetes was US$850 billion in 2017. We believe these unfortunate statistics provide a very compelling case for Dorzagliatin's market opportunity.

The classic hallmarks of Type 2 diabetes are (i) the progressive destruction, or functional impairment, of the β-cells (beta-cells), which are located in the pancreas and are responsible for the production of insulin, and (ii) the body's increasing resistance, or de-sensitivity, to insulin. Currently approved Type 2 diabetes drugs focus on lowering elevated blood glucose levels, but fail to address the underlying cause of the disease, which is a failure to maintain normal blood glucose levels within an acceptable range, or glucose homeostasis.

Since the central role of GK in glucose homeostasis was discovered over twenty years ago, the idea of targeting GK as a potential treatment pathway has been well recognized. We acquired our rights to Dorzagliatin as an early stage drug candidate in 2011 from F. Hoffmann-La Roche Ltd., or Roche. While at Roche, several members of our team, including our founder Dr. Li Chen, were instrumental in Dorzagliatin's design and development. Dorzagliatin is the fourth generation GKA from Roche, and has avoided the flaws discovered in other GKA candidates, including insufficient efficacy, heightened risk of hypoglycemia, dyslipidemia (abnormal lipid levels) and liver toxicity. Dorzagliatin overcomes these flaws by employing a unique chemical structure and through a dual mechanism of action that simultaneously targets both the glucose-sensory function of GK in the

pancreas, and the glucose processor function of GK in the liver when blood glucose levels are high. In addition, Dorzagliatin features full activation and favorable pharmacokinetic (PK) / pharmacodynamic (PD) properties with a unique chemical scaffolding that allosterically modulates GK activity and restores glucose homeostasis in Type 2 diabetes patients.

In general, most clinical drug candidates are subject to only one or two Phase I trials to evaluate safety and tolerability before moving into Phase II. However, we affirmatively chose to conduct seven Phase I trials so that we could more fully evaluate Dorzagliatin's safety and tolerability and confirm its favorable profile relative to other GKAs that previously failed. Of these seven Phase I trials, we conducted five in China and two in the United States. These two U.S. Phase I trials involved a drug-drug interaction study (Dorzagliatin and metformin) and a mass balance clinical study to evaluate Dorzagliatin's absorption, metabolism and excretion characteristics. In 2016, we completed a Phase II 258 patient proof-of-concept trial in China, demonstrating efficacy as a monotherapy in controlling blood glucose levels while exhibiting a favorable safety and tolerability profile. Our Phase I and Phase II trials demonstrated not only favorable and predictable PK/PD properties for the drug, allowing us to define the optimum dosage for our Phase III trials, but they also demonstrated that Dorzagliatin is well-tolerated with minimal side effects, and that it effectively manages glucose levels without driving patients into hypoglycemia. Our Phase I and II trials demonstrated the potential disease modifying effect of Dorzagliatin, with participants that received Dorzagliatin showing a positive improvement in the two hallmarks of Type 2 diabetes: an increase in β-cell function (as measured by both an early-phase insulinogenic index and a DI), and a decrease in insulin resistance (as measured by HOMA-IR), both while receiving Dorzagliatin in the course of the trial and for a period of time after withdrawal of Dorzagliatin at the end of the trial. In addition, 35.4% of patients tested achieved a composite endpoint that included a decrease in HbA1c to below 7% both without weight gain and hypoglycemia. These results suggest that Dorzagliatin repairs the impaired glucose sensor function and addresses one of the primary underlying causes of Type 2 diabetes. Furthermore, our Phase II trial results also demonstrated that Dorzagliatin was more effective in drug-naive Type 2 diabetic patients as compared to Type 2 diabetic patients that were previously on oral anti-diabetic drugs. We believe that this result further supports our hypothesis that Dorzagliatin is more effective in earlier stage Type 2 diabetic patients (who have greater preserved β-cell function) compared to Type 2 diabetic patients who have suffered potentially sustained detrimental effect on β-cell function induced by other oral anti-diabetic drugs, such as sulphonylureas. Our Phase II trial results as well as some of our Phase I trial results were presented at the American Diabetes Association annual meetings in 2014, 2015, 2016, 2017 and 2018 and the Phase II results were also published in *The Lancet Diabetes and Endocrinology* on May 4, 2018 (the "Lancet"). The Lancet's Impact Factor (a measure of an academic journal's yearly average number of citations that serves as a proxy for relative importance of a journal in its field) of 19.742® ranks it the number one clinical research journal of diabetes and endocrinology.

We acquired our global rights to Dorzagliatin as an early stage drug candidate in 2011 from Roche. Our founder, Dr. Li Chen, previously served as the Chief Scientific Officer at Roche's R&D Center in China, and has over this period of time assembled a team at Hua Medicine of 90 individuals, including 63 scientists (as of June 30, 2018) with extensive experience in global pharmaceutical research and development. Our team is effective and experienced in the process of managing global contract research organizations (CROs), clinical site management operators (SMOs), and contract manufacturing organizations (CMOs), overseeing clinical trial staff that includes scientific and

medical experts from vendors and collaboration partners globally to advance our research and development efforts. We also benefit from our senior advisor, Dr. Franz Matschinsky, who was instrumental in discovering the central role of GK in glucose homeostasis, as well as our portfolio advisory board, whose members include former senior executives of international pharmaceutical companies and professors from leading educational institutions in the life sciences sector and our key opinion leaders, or KOLs, in China who serve on our clinical development steering committee.

We were founded on the basic principle that innovation in pharmaceutical research and development is global, with China playing an increasingly larger and more important role. Our research operations are in China, which we believe confers several advantages. With its massive and growing patient population, and favorable government support, we believe China has emerged as an ideal country to advance innovative, first-in-class drug candidates through development for ultimate introduction to the global market. In addition, the Chinese government has announced many initiatives that could facilitate Dorzagliatin's adoption as a first-line therapy and its broader commercialization in China. These government initiatives include favorable treatment of new and innovative drugs under its national reimbursement scheme, and investing in community clinics with an emphasis on early diagnosis and preventative medicine, which we believe could result in increased diagnosis and treatment rates from current levels. We also plan to work closely with diabetes experts and KOLs in China and the rest of the world to advance a diabetes care solution for global patients that would include, in addition to Dorzagliatin as a cornerstone monotherapy, combination therapies for all currently approved classes of treatment and, ultimately, personalized diabetes care that tailors therapy to suit the physiology of each patient.

Our Pipeline

Because various Type 2 diabetes drugs act in different ways to lower blood glucose levels, various drugs can be and, as the disease progresses, frequently are used in combination with, multiple Type 2 diabetes drugs. Unlike the United States where the clear first-line therapy for Type 2 diabetes is metformin, China has not adopted a single first-line therapy framework. Metformin is recommended as a primary treatment, and insulin secretagogues (such as sulfonylurea or a glinide) or an α-glucosidase inhibitor (acarbose) are used as the first line of treatments only when metformin is not tolerated, based upon the physician's assessment of the patient's specific profile. If glycemic control is not achieved, the patient proceeds to dual therapy involving a second oral drug or injectable drug such as a GLP-1 receptor agonist or insulin. In patients with very high blood glucose levels, physicians can even prescribe insulin as first-line therapy. Accordingly, in addition to our ongoing Phase III clinical trials (Dorzagliatin as a monotherapy and in combination with metformin), our product pipeline includes evaluating the combination of Dorzagliatin with other approved Type 2 diabetes treatments to target different patient profiles, as illustrated in the chart below. In the second half of 2018, we plan to commence clinical trials for Dorzagliatin in combination with dipeptidyl peptidase-4, or DPP-4, inhibitors and sodium-glucose linked transporter-2, or SGLT-2, inhibitors. In the second half of 2019, we plan to launch clinical trials in combination with insulin and glucagon-like peptide-1, or GLP-1, agonists.

We are also developing mGLUR5, a potential novel drug candidate for the treatment of Parkinson's disease levodopa-induced dyskinesia, or PD-LID. We plan to commence Phase I clinical trials for mGLUR5 in the second half of 2019.

Products	Pre-clinical	Phase I	Phase II	Phase III	Expected Timing to Complete Phase in Progress
Dorzagliatin (HMS5552)	Drug Naive Type 2 Diabetes				Second half of 2019
Dorzagliatin + Metformin	Type 2 Diabetes with Metformin Tolerance				Second half of 2019
Dorzagliatin + DPP-4	Obese Type 2 Diabetes				Second half of 2018
Dorzagliatin + SGLT-2	Metabolic Syndrome				Second half of 2018
Dorzagliatin + Insulin	Type 2 Diabetes Basal Insulin User				Second half of 2019
Dorzagliatin + GLP-1	Obese Type 2 Diabetes				Second half of 2019
mGLUR5	PD-LID				First half of 2019

In time, and likely in conjunction with our efforts to offer personalized Type 2 diabetes care, we may offer fixed dose combination drugs, or FDC drugs. FDC drugs combine a specified dose of Dorzagliatin and another already approved anti-diabetes drug in a single dosage form designed to deliver an optimum combination therapy in a convenient oral formulation.

Current Type 2 Diabetes Treatments and Dorzagliatin

Current Type 2 Diabetes Treatments

According to Frost & Sullivan, approximately 95% of diabetes patients globally suffer from Type 2 diabetes. In 2017, there were 120 million Type 2 diabetics in the China. Multiple drug classes are approved for Type 2 diabetes treatment, including oral drugs such as metformin, α-glucosidase inhibitors, sulfonylureas, thiazolidinedione, DPP-4 inhibitors, or SGLT-2 inhibitors, and injectable drugs such as GLP-1 agonists and insulin. In China, acarbose (an α-glucosidase inhibitor) is the most widely-used anti-diabetes drug in terms of sales. Other oral drugs, such as metformin, DPP-4 inhibitors and sulfonylureas are also widely used in China either as first-line therapy (in the case of metformin) or as second-line therapy. Despite usage of these drugs, a substantial portion of Type 2 diabetics are unable to maintain glycemic control, and they eventually require insulin therapy. With a unique mechanism of action, Dorzagliatin is designed to be a new generation of diabetes therapy that controls the disease's progressive nature, either as a monotherapy or as a cornerstone therapy when combined with each of the currently approved treatments at various stages of the disease. Current Type 2 diabetes therapies only treat the primary symptom of Type 2 diabetes (i.e., elevated blood glucose

levels), by lowering blood glucose levels, and do not address the deterioration of the β-cells responsible for producing insulin as a result of GK impairment or the corresponding failure to properly detect high blood glucose levels. Sustained high blood glucose levels result in hyperglycemia-induced stress on the β-cells, leading to further β-cell damage and a progressive decline in the body's ability to produce insulin. No GKA has ever advanced past Phase II clinical trials, due to flaws associated with each of their specific chemical structures that then led to one or more of the following: insufficient efficacy, heightened risk of hypoglycemia, dyslipidemia (abnormal lipid levels) and liver toxicity. As a fourth generation GKA developed by Roche, Dorzagliatin is specifically designed to address flaws in Roche's second generation GKA, Piragliatin, which caused elevated liver enzyme levels due to high metabolite accumulation, by employing a unique chemical structure and positive allosteric modulation of GK in the pancreas and liver, which we refer to as GK PAM. Roche was one of the first multi-national companies to focus on GKA and designed a viable GKA with Piragliatin, their second generation GKA, that had demonstrated effective glycemic control in Type 2 diabetics without inducing hypoglycemia. However, further development of Piragliatin was halted due to large amounts of human metabolite accumulation in the Phase II trials, which could lead to liver toxicity especially when used regularly to treat a chronic disease such as Type 2 diabetes. Accordingly, Roche initiated the development of a fourth generation GKA to address this specific flaw in Piragliatin, which along with additional enhancements we developed, became HMS5552, or Dorzagliatin.

Central Role of Glucokinase in Glucose Homeostasis

Through an intricate physiological mechanism, referred to as glucose homeostasis, the healthy human body seeks to maintain steady-state blood glucose levels within an acceptable range or threshold of 4.0 mmol/liter to 5.6 mmol/liter. Similar to the way a building thermostat measures air temperature in a room and makes appropriate adjustments to maintain a steady comfortable temperature within a narrow range, the GK expressed in the pancreas and small intestine acts as a blood glucose sensor that triggers the release of signaling molecules such as insulin and other hormones when glucose levels are high, and glucagon when glucose levels are low. See "—Diabetes Market Opportunity—The Role of GK Activation in Diabetes." Insulin facilitates the uptake of glucose from the bloodstream into cells, and glucagon facilitates the breakdown of glycogen and synthesis of glucose by the liver to be released into the blood stream. GK in the liver, or GK_L, does not act as a sensor but operates as a processor, increasing the conversion of glucose into glycogen in the liver when glucose levels are particularly high.

Thermostat in a Building		**Glucose Homeostasis in the Human Body**	
Messenger:	air temperature	Messenger:	glucose level
Set point:	22°C	Set point:	5 mmol/liter *
Threshold:	21-23°C	Threshold:	4-6 mmol/liter *
Controller:	Thermo Sensor (thermostat)	Controller:	Glucokinase in the pancreas and small intestine-glucose sensor
Effector:	Electronic signal	Effector:	insulin, glucagon, GLP-1
Operator:	Heater, Cooler, Ventilator	Operator:	hexokinase 1-3**, SGLT-2, GK_L

Source: Franz Matschinsky, Mol. and Cell Biology of Type 2 Diabetes and Its Complications, 1998, vol 4, pp 14-29

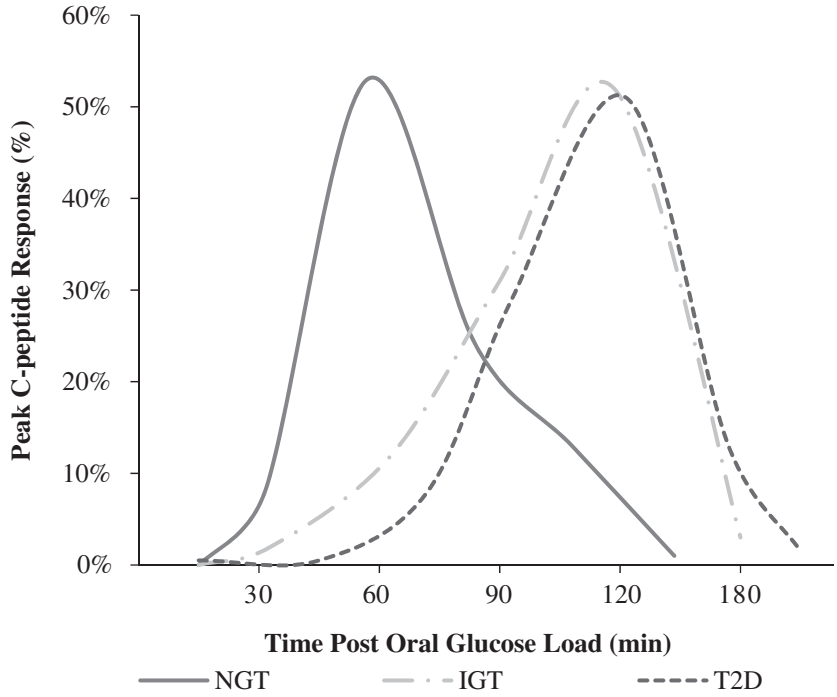
* A common measure of blood glucose levels is hemoglobin A1C, or HbA1c, which measures average glycated blood glucose levels for the three-months prior to testing. HbA1c levels for people without diabetes is between 4% and 5.6% (equivalent to 4-5.6 mmol/liter), for people with impaired glucose tolerance (IGT), or pre-diabetics, is between 5.74% and 6.4% (equivalent to 5.74 -6.4 mmol/liter) and for people with diabetes is 6.5% or higher (equivalent to 6.5 mmol/liter or higher).

** In addition to GK (also referred to as hexokinase type 4), Hexokinase types 1-3 play a role in the glucose homeostasis process. Unlike a properly functioning GK, which is only active at blood glucose levels over 5 mmols/liter, hexokinase types 1-3 are active in the presence of even small amounts of glucose in the bloodstream— providing as a bodily survival mechanism needed energy to the brain, muscles and other core bodily functions.

In this manner, GK plays the central role in the regulation of glucose homeostasis in the body. Any impairment in GK's function or a decrease in its expression in the pancreas, liver, or small intestines results in glucose sensor or glucose processor failure, leading to an overall rise in blood glucose levels, and ultimately loss of glucose homeostasis. Left untreated, these patients eventually develop diabetes and potentially complications associated with severe diabetes. Dorzagliatin, through a dual mechanism of action that simultaneously targets both the glucose-sensory function of GK in the pancreas and the glucose processor function of GK in the liver, is designed to help restore the glucose-sensing function of GK in glucose homeostasis, which, in turn, will potentially stop the functional deterioration of β-cells located in the pancreas responsible for generating insulin.

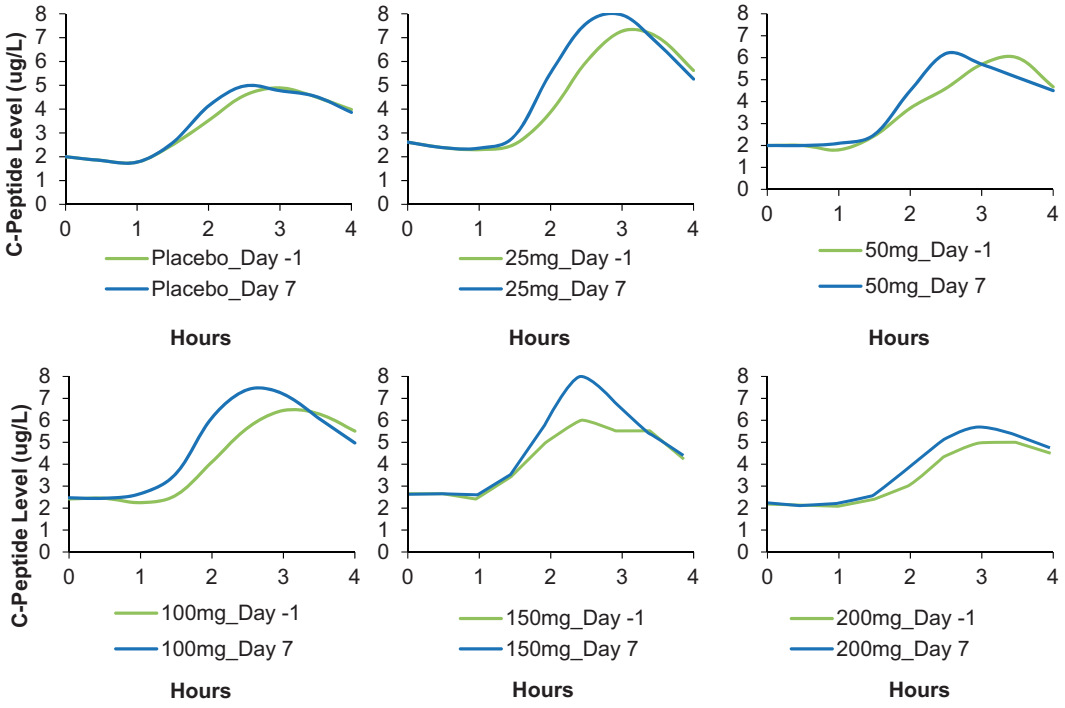
The following diagrams illustrate peak insulin response for subjects with normal glucose tolerance (NGT), patients with impaired glucose tolerance (IGT), or pre-diabetics, and patients with Type 2 diabetes (T2D). In each case, the body produces a surge of insulin following a meal (this glucose stimulated insulin release is often referred to as the early-phase insulin release). However, in pre-diabetic and Type 2 diabetics, the surge (or early-phase insulin release) comes too late to effectively process the glucose produced from the meal, which we refer to as a "right shift" in insulin production.

The following diagram illustrates this right shift of insulin production, as measured by C-peptide levels. We used a C-peptide test to measure insulin production in the pancreas in this case, as C-peptides are created as a by-product of insulin production.



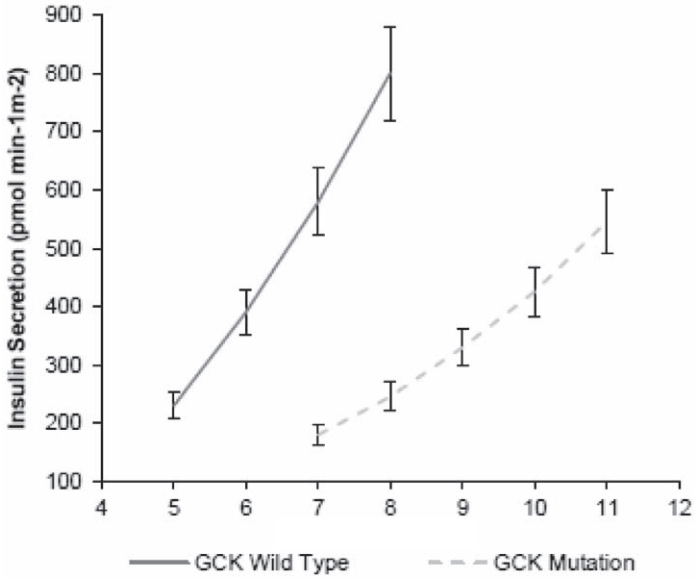
Source: R.W.Burgstrom J. Clin. Endocrinol. Metabo. 1990, 71(6):1447-53

Dorzagliatin seeks to treat Type 2 diabetes through a corrective "left shift" without overcorrecting and triggering hypoglycemia. In our Phase Ia and Ib trials, we were able to demonstrate a "left shift" in insulin production by day 7 of drug administration in the 25 mg, 50 mg, 100 mg, 150 mg and 200 mg dose cohorts. The figures below illustrate the change in insulin production (as measured by C-peptide levels) over time prior to beginning treatment (day -1) and on day 7. We used a C-peptide test to measure insulin production in the pancreas in this case, as C-peptides are created as a by-product of insulin production.



Source: DL Zhu, Y. Zhang, L Chen et al ADA 75th Scientific Session, June 5-9, 2015, Boston

GK's central role in glucose homeostasis was validated in a study that showed GK mutations can cause changes in the thresholds of insulin release homeostasis. According to a study conducted by Dr. Franz Matschinsky and published in the *Journal of Biological Chemistry* in 2012, GK expression in the pancreas and liver is significantly reduced in Type 2 diabetics. In the diagram below, GCK Wild Type indicates healthy subjects with normal levels of GK expression with increasing insulin secretion beginning at 5 mmol/liter of blood glucose. For subjects with GCK Mutation, which translates to reduced GK expression, insulin secretion does not begin until 7 mmol/liter of blood glucose levels and insulin secretion is markedly lower even at 11 mmol/liter of glucose in the blood.



Source: R. Murphy, A. Tura, P.M. Clark, et al. Glucokinase, the pancreatic glucose sensor, is not the gut glucose sensor; Diabetologia (2009)

Current State of Dorzagliatin Clinical Development

We are currently in Phase III trials in China for Dorzagliatin. Our Phase III trials consist of two 24-week efficacy trials with a 75 mg twice daily dosage as a (i) monotherapy in a planned 450 patient study and (ii) combination therapy with metformin in a planned 750 patient study. The primary efficacy endpoint in both studies is a greater than 0.4% reduction in HbA1c levels from baseline (the first day of drug administration) to the last day of the 24-week treatment period with a confidence level of 95% ($p<0.05$). We will also evaluate safety based on data generated over 52 weeks, or 24 weeks plus 28 weeks, which includes among others, various cardiovascular assessments. We plan to complete patient enrollment of our Dorzagliatin Phase III trials in China by the first half of 2019, file for NDA approval on a rolling basis with the CDA by the end of 2019, and we anticipate CDA approval by the end of 2020 or the first half of 2021.

We are funded by well-known and highly experienced U.S. and Chinese biotech specialist investors. As of March 31, 2018, we have raised $210.5 million, of which approximately $50 million was deployed to achieve the following milestones in approximately 36 months (from the non-clinical stage to proof-of-concept):

- Phase Ia single ascending dose, or SAD; first in human, or FIH trial in China—accomplished in six months;
- Phase Ib multiple ascending dose, or MAD trial in China—accomplished in 11 months;
- Phase Ic proof-of-mechanism, or POM trial in China—accomplished in three months;

- Phase I drug-drug interaction trial—GKA plus metformin combination study in the United States—accomplished in four months; and

- Phase II proof-of-concept, or POC, in Type 2 diabetes patients in China—accomplished in 12 months.

Investment Highlights

We attribute our success to date to a number of factors, including a team of highly accomplished returnee Chinese scientists and entrepreneurs, with a portfolio advisory board comprised of some of the industry's most significant key opinion leaders, academics and scientists. With the assistance and guidance of our clinical development steering committee, we designed a robust series of clinical trials to evaluate the efficacy and safety of Dorzagliatin. In doing so, we combined the strength and focus of our team with the scale and expertise of an extensive and growing network of qualified, highly experienced CROs, SMOs and CMOs that continue to provide us with a range of services at a consistently high level of quality. The long history and experience of our scientists, partners and advisors in China facilitate a deep understanding of the regulatory needs and concerns in China. Because of the strength of our team in China, Dorzagliatin is the first drug (not considering Chinese traditional medicines) approved by the CDA for clinical trials in humans without previous testing in humans elsewhere in the world.

We believe our competitive strengths and investment highlights include:

First-in-class drug that has achieved proof-of-concept in clinical studies, with the potential to disrupt the global diabetes market

Dorzagliatin is the fourth generation GKA from Roche and globally the first GKA to advance to Phase III clinical trials. Incorporating Roche's and, since 2011, our own development efforts, Dorzagliatin has overcome the flaws discovered in past GKA candidates, including insufficient efficacy, heightened risk of hypoglycemia, dyslipidemia (abnormal lipid levels) and liver toxicity. Dorzagliatin overcomes these flaws by employing a unique chemical structure and through a dual mechanism of action that simultaneously targets both the glucose-sensory function of GK in the pancreas and the glucose-processor function of GK in the liver when blood glucose levels are high. In addition, Dorzagliatin features full activation, rather than the partial activation characteristic of certain prior GKAs to reduce the incidence of hypoglycemia, as well as favorable PK/PD properties with a unique chemical scaffolding that allosterically modulates GK activity and restores glucose homeostasis in Type 2 diabetes patients. Our Phase I and Phase II trials demonstrated that Dorzagliatin is well-tolerated, induces minimal side effects, and effectively manages glucose levels on a 24-hour basis without the risk of driving patients into hypoglycemia. Dorzagliatin has the potential to address the fundamental unmet medical need in diabetic treatment because current diabetic treatments do not stop the deterioration of the β-cells responsible for producing insulin. By repairing the central controller of glucose homeostasis in the human body, Dorzagliatin addresses the deterioration of the β-cells responsible for generating insulin as a result of GK impairment or the corresponding failure to properly sense high blood glucose levels, in stark contrast to all the currently approved Type 2 diabetes drugs. In addition, in our Phase II 12-week trial, 35.4% of patients achieved a composite endpoint that included glycemic control in HbA1c levels of below 7% both without weight gain and

hypoglycemia. In a study (published in *Diabetes, Obesity and Metobolism*) evaluating the efficacy of certain injectible anti-diabetics and various OADs against this composite endpoint over a 26-week period, the best performing OAD was sitagliptin (an oral DPP-4 inhibitor and the world's best-selling OAD) but with only 11% of patients taking this drug achieving the composite endpoint. As a result, we believe Dorzagliatin is positioned to advance the treatment standard for Type 2 diabetes at all stages of this progressive disease (either as a monotherapy or when taken in combination with other approved diabetes treatments). We believe this may have a profound impact on global key opinion leaders, or KOLs, and influence physicians to prescribe Dorzagliatin as first-line therapy in China.

Highly experienced R&D team with extensive China and global pharmaceutical experience led by Dr. Li Chen

Our founder Dr. Li Chen has a strong track record of visionary leadership in the drug development industry with a focus on novel drug development. Before founding Hua, Dr. Chen spent his entire pharmaceutical career of over 18 years at Roche: his first 12 years in Roche's Nutley, New Jersey R&D campus, and his remaining six years in Shanghai. During his tenure at Roche, Dr. Chen was instrumental in establishing Roche's R&D center and team in Shanghai, which was the first wholly-owned, multinational R&D center to be based in China, where he served as Chief Scientific Officer. As the founder of the first life sciences R&D center established by a multinational pharmaceutical company in China, and as a result of his seniority as Chief Scientific Officer of Roche R&D China since 2004, Dr. Chen has cultivated extensive government and industry relationships in China. We believe our team's deep local experience in and understanding of the China market gives us an advantage in navigating the clinical development and approval process and commercialization of Dorzagliatin. In addition, with over 35 patents and 58 publications in basic research and medical sciences, Dr. Chen is committed to the pursuit of novel drug innovation. At Hua, Dr. Chen has assembled a team with extensive international and China-based drug development experience, including many highly experienced Chinese returnee scientists and entrepreneurs. Together, the Hua team has been trained to conduct research and development of novel drugs at the highest international quality standards instilled by large multinational pharmaceutical companies, while also drawing on the best practices and diverse experiences that each scientist brings to Hua.

World-renowned senior advisor, portfolio advisory board and influential key opinion leaders

Our senior advisor, Dr. Franz Matschinsky, was instrumental in discovering the central role of GK in glucose homeostasis. In addition, our fully engaged portfolio advisory board includes world-renowned experts and has provided us with strategic guidance, validation and seamless support since our inception. In addition, we have support from KOLs in China. We believe this supports our ability to recruit principal investigators, or PIs, and patients for our clinical trials, and could eventually lead to greater market acceptance of Dorzagliatin as a standard of care for Type 2 diabetes in China.

Strong R&D platform and comprehensive clinical trials

After we licensed Dorzagliatin from Roche, we advanced Dorzagliatin from the non-clinical stage through proof-of-concept for Dorzagliatin through comprehensive clinical trials in approximately 36 months, including seven Phase I trials and one Phase II trial and successfully advanced it to Phase III clinical trials, being the first GKA to reach this stage. We carefully designed our clinical trials in close cooperation with our clinical development steering committee, which includes KOLs in the diabetes field in China. Our clinical trials are designed both to assess whether Dorzagliatin addresses the principal flaws of previous GKAs and to address and monitor considerations and risks associated with, among other things, screening and enrolling clinical patients, establishing trial procedures, facilitating patient and clinical compliance with clinical protocols and selecting appropriate primary and secondary clinical end-points. Our clinical studies include a U.S. drug-drug interaction study (Dorzagliatin and metformin) and a mass balance clinical study to evaluate Dorzagliatin's absorption, metabolism and excretion characteristics. Our R&D platform includes the combined and closely coordinated capabilities of our functional teams (including our clinical research and development team, clinical operations team, clinical pharmacology team, drug safety and pharmaco-vigilance team, and CMC team) with those of our qualified, highly experienced, and growing network of CROs, SMOs and CMOs. As of June 30, 2018, we had 63 scientists. Of our 63 scientists, 28 had a master's degree and 18 had a doctorate degree. On average, our scientists have 12 years of experience in the life sciences industry. These outside service providers undergo a comprehensive selection, supervision and training process and provide us with a range of services that we can use on demand, helping us manage costs. In addition, our qualified and experienced quality assurance team is responsible for ensuring that we maintain compliance with all applicable regulations, standards, protocols and internal policies. Our senior management team is actively involved in setting quality policies and managing our internal and external quality performance. As of March 31, 2018, our quality assurance team consisted of six dedicated employees, of whom three held master's or higher degrees. Our quality assurance team members on average have over five years of industry experience.

Support from well-known and sophisticated investors and business partners

We are funded and advised by highly experienced U.S. and Chinese biotech specialist investors, including specialist healthcare funds and biotech funds as well as established funds with a focus on investments in the biopharmaceutical sector, such as ARCH Venture Fund, Asia Ventures, F-Prime Capital Partners, Eight Roads Investment, Venrock, and Ally Bridge. Our investors also include funds and individuals associated with WuXi Pharmatech. Many of our investors have been investing in us for years, including ARCH Venture Fund, Asia Ventures and Venrock which first became our Shareholders in 2010 and are expected to remain as our Shareholders upon Listing. As of March 31, 2018, we have raised approximately US$210.5 million, of which approximately US$93 million was raised before April 2017 and approximately US$50 million was deployed to advance Dorzagliatin from the non-clinical stage through proof-of-concept in our Phase II clinical trial in approximately 36 months. Our team includes many highly distinguished returnee Chinese scientists and entrepreneurs, with a portfolio advisory board comprised of highly experienced KOLs, academics and scientists. The long history and experience of our scientists, partners and advisors in China facilitate a deep understanding of the regulatory needs and concerns in China. Because of the strength of our team and its development history in China, we believe Dorzagliatin was the first first-in-class drug ever

approved by the CFDA for clinical trial in humans in China for which the target class of drug had not yet been approved outside of China. In addition, we are among the first group of companies to be granted by the CFDA a Market Authorized Holder, or MAH, certificate for Dorzagliatin which allows us, as a drug license holder, to use a qualified CMO to meet our manufacturing needs instead of building our own manufacturing facility.

Significant market opportunity in China with government support for first-in-class drugs targeting chronic diseases

According to Frost & Sullivan, with approximately 120 million Type 2 diabetics in 2017, China has the largest Type 2 diabetes population in the world, with that number expected to grow to 161 million by 2028. This increase reflects a growing and aging population as well as changing dietary and lifestyle factors. Meanwhile, over 52% of the diabetics in China remain undiagnosed in 2017, with this number expected to decrease to 17.8% by 2028 according to Frost & Sullivan. The Chinese government has announced certain initiatives that we believe could facilitate Dorzagliatin's adoption as a first line therapy and its broader commercialization in China. These initiatives include favorable treatment of new and innovative drugs under its national reimbursement scheme, investment in community clinics with an emphasis on early diagnosis and preventative medicine (which could lead to increased diagnosis and treatment rates from current levels) and investments in the diagnosis and treatment of common diseases, including diabetes. Most recently, the Chinese government has adopted policies encouraging the diagnosis and treatment of patients at rural-based Grade 1 and Grade 2 hospitals as well as clinics rather than the traditionally larger Grade 3 hospitals. The Chinese government has also recently indicated its support for the expansion of internet hospitals in China to drive diagnosis and delivery of healthcare services. We believe that all these favorable factors could significantly enhance Dorzagliatin's market potential, and position Dorzagliatin as a first-line therapy for Type 2 diabetes in China.

Our Strategy and Business Plan

We are committed to developing a first-in-class drug to address significant unmet medical needs globally, particularly when China presents a compelling market opportunity and we can leverage our strength there.

Advance and complete our Phase III trials for Dorzagliatin in China

The CFDA has agreed to a Phase III plan to enroll a total of 1,200 patients in China with Dorzagliatin both as a monotherapy and in combination with metformin, which we expect to complete by the second half of 2019. These Phase III trials in China are led by the leading diabetes opinion leaders in China. Our Phase III trial includes a 52-week safety review, including a cardiovascular monitoring routine. The CDA has not provided any guidance on requiring large-scale cardiovascular outcome trials for diabetes therapies unlike the guidance provided by U.S. FDA. We expect to be in a position to announce top line results in the second half of 2019.

Advance our current pipeline and opportunistically expand our pipeline through in-licensing

In addition, we intend to launch clinical studies for combination therapies involving Dorzagliatin and other currently approved therapies to treat Type 2 diabetes patients. In time, we could use these combinations in conjunction with our proprietary algorithm to offer personalized Type 2 diabetes care either as a loose-form combination therapy or in the form of fixed dose combination drugs. These fixed dose combination drugs would combine in a single dosage form, a specified dose of Dorzagliatin and another already approved diabetes drug designed to deliver an optimum combination therapy in a convenient oral formulation. We also plan to leverage our expertise in allosteric modulation to develop the mGLUR5 negative allosteric modulator as a treatment for PD-LID. Finally, we also continue to review and evaluate new opportunities that may be suitable for us to in-license or acquire new drug candidates for which there is a large unmet medical need.

File an NDA for Dorzagliatin as a Category 1 drug and secure approval with the CDA to launch and commercialize Dorzagliatin in China

Following our two ongoing Phase III trials for Dorzagliatin in China, we plan to submit a new drug application, or NDA, in the second half of 2019. Upon approval, Dorzagliatin would be the first approved drug worldwide to target GK for the treatment of Type 2 diabetes.

To successfully launch and commercialize Dorzagliatin in China, we must both secure commercial scale manufacturing capabilities, as well as execute a sales and marketing plan that includes establishing a China-focused sales team (which we may establish through acquisitions), appropriately price Dorzagliatin, secure private and government reimbursement, and secure a network of hospitals and pharmacies to offer Dorzagliatin at launch. The CFDA granted us an MAH certification, which allows us as a drug license holder, to use qualified CMO service providers in China. We are currently partnering with Shanghai SynTheAll Pharmaceutical Co., Ltd., or STA, and Shanghai Desano Bio-Pharmaceutical Co., Ltd., or Desano on the potential commercial manufacture of Dorzagliatin. We plan to hire a marketing executive with pharmaceutical experience in both primary care and China, and plan to begin establishing a highly focused sales team during the 12 months before Dorzagliatin's expected approval date. Initially, we plan a sales team of up to 200 employees by the time of commercial launch. We may also consider opportunistic acquisitions to advance our commercialization strategy and/or to acquire companies with patents that we need for combination therapies. Our estimate for the expected costs through calendar year 2020 associated with our efforts to secure commercial scale manufacturing capabilities and establish our commercialization team is approximately HK$200.0 million to HK$250.0 million.

Partner with established international pharmaceutical companies to develop our ex-China Dorzagliatin rights, launch Dorzagliatin as a standard of care for Type 2 diabetes treatment globally and seek "break-through" therapy designation in the United States in connection with achieving FDA approval

We plan to enter into partnerships with international pharmaceutical companies to make our drug available to patients outside China. This will include partnerships for conducting clinical trials and navigating the drug approval process with Dorzagliatin both as a monotherapy and in combination with other approval Type 2 diabetes therapies, as well as for the marketing and commercialization of Dorzagliatin outside of China. We do not intend to market Dorzagliatin outside of China without a partner.

We do not intend to enter into any significant partnership agreements for Dorzagliatin before securing our 24-week results from our Phase III trials. We will select our partners, when appropriate, based on factors we deem relevant at the time which likely will include their track record, perceived strengths and weaknesses relative to other potential partners, likely negotiated commercial terms, ability to accelerate Dorzagliatin's regulatory approval and commercialization capabilities in the countries where they have significant operations. The timing for clinical trials for purposes of receiving regulatory approval of Dorzagliatin in a particular country outside China will depend on discussions with our prospective partner. Any related capital or other funding requirements will depend on the specifics of the partnership entered into at such time.

We also intend to request designation of Dorzagliatin as a "breakthrough therapy" with the U.S. Food and Drug Administration, or FDA, on the basis that Type 2 diabetes is a "serious condition". See "Regulatory Overview — Overview of U.S. Regulations." We believe that the designation could help accelerate review and approval of Dorzagliatin in the United States. In addition, we intend to leverage our personalized medicine solution to increase our market share. We also plan to work closely with diabetes experts and key opinion leaders in China and the rest of the world to advance a diabetes care solution for global patients that would include, in addition to Dorzagliatin as a monotherapy, Dorzagliatin as a cornerstone therapy in combination therapies for all currently approved classes of diabetes treatment and, ultimately, personalized diabetes care that tailors therapy to suit the specific physiology of each patient.

Diabetes Market Opportunity

A person suffering from Type 2 diabetes does not produce enough or properly use insulin, which is the hormone necessary for human cells to extract glucose from the bloodstream, where it may be converted into energy. In Type 2 diabetes, the secretion of insulin from the pancreas and the action of insulin on tissues such as fat and muscle are both abnormal. Type 2 diabetics produce insulin, but insulin production and usage both diminish over time as the disease progresses, ultimately requiring insulin administration to manage the disease. Obesity is generally considered a major contributor to the development of Type 2 diabetes. There are approximately 120 million Type 2 diabetics in China out of a total population of 1.4 billion, resulting in an overall prevalence rate of 8.6% as of 2017. In

China, the diabetes market is reaching pandemic proportions, with over 49.6% of the Type 2 diabetics in China remaining undiagnosed as of 2018. The Chinese diet is rich in carbohydrates and a rapid growth in discretionary income has led to a change from a low-nourishment diet in the 1980s and 1990s to a high-nourishment diet, which in turn has led to an increase in Type 2 diabetics.

As the global epidemic expands, the number of Type 2 diabetes patients is expected to continue to increase. According to Frost & Sullivan, there are approximately 532.3 million overweight and obese people in China and 209.9 million obese and overweight people in the United States. Once we successfully launch Dorzagliatin as a novel Type 2 diabetes therapy with clinical differentiation, we intend to launch additional clinical studies to position Dorzagliatin as a comprehensive solution for Type 2 diabetes in China. Concurrently, we also intend to advance development of Dorzagliatin in the United States with a partner, and to potentially achieve fast track review by seeking breakthrough therapy designation in the United States.

Historically, the focus of diabetes therapy has been primarily on the efficacy of a single endpoint: the effectiveness of each approved drug's ability to lower HbA1c levels. Increasingly though, the standard of care for Type 2 diabetes is evolving to take into account each patient's personal characteristics with efficacy measured based on composite endpoints such as reduction of HbA1c levels with no weight gain or hypoglycemia. At the same time, there is an increased focus on seeking to address the disease's underlying cause and not just its symptoms.

According to Frost & Sullivan, the China anti-diabetic drug market is projected to grow from RMB51.2 billion in 2017 to RMB97.8 billion (approximately US$15 billion) in 2022 to RMB173.9 billion (approximately US$27 billion) in 2028, while the U.S. market is projected to grow to US$45.4 billion in 2022 to US $65.6 billion in 2028. See "Industry Overview" for a more in depth discussion of the U.S. and China anti-diabetics market.

Broadly speaking, anti-diabetic treatments can be viewed in terms of orally administered drugs, or OADs, and injectable drugs, of which insulin-based drugs comprise the majority of the injectable drug market. According to Frost & Sullivan, insulin accounted for 46.1% of the total anti-diabetic market in China in 2017. However, administration of insulin is not recommended until patients have advanced to later stages of Type 2 diabetes, and insulin usage is typically accompanied by weight gain. Among the orally administered drugs, there is the commonly used first-line therapy — biguanides (metformin), as well as α-glucosidase inhibitors (acarbose) and sulfonylureas, and more recently approved classes of drugs such as DPP-4 inhibitors and SGLT-2 inhibitors. According to Frost & Sullivan, of the total anti-diabetic market in China in 2017, α-glucosidase inhibitors (which are only recommended as first-line therapy in China), biguanides and sulfonylureas accounted for 17%, 9.4% and 8.2% of the market, respectively. These OADs exhibit effective glycemic control initially, and relatively reasonable costs and full reimbursement in China. However, these OADs on a patient-specific basis typically show reduced efficacy over time given the disease's progressive nature (driving the need for combination treatment) and demonstrate reduced efficacy on a composite endpoint basis. Also, sulfonylureas have been shown to reduce β-cell function.

We plan to initially focus on introducing Dorzagliatin in China as a Category 1 drug and would partner with a third party to advance Dorzagliain's development internationally, especially in the United States. We do not intend to enter into any significant partnership agreements for Dorzagliatin before securing our 24-week results from our Phase III trials. We will select our partners, when appropriate, based on factors we deem relevant at the time which likely will include their track record, perceived strengths and weaknesses relative to other potential partners, likely negotiated commercial terms, ability to accelerate Dorzagliatin's regulatory approval and commercialization capabilities in the countries where they have significant operations.

Currently marketed anti-diabetic drugs (worldwide) primarily focus on the disease's symptoms (for example, lowering HbA1c levels) and not its underlying cause (i.e., dysfunction of glucose homoeostasis). As Type 2 diabetes progresses though, many patients advance to a course of treatment involving the combination of two or more anti-diabetic drugs employing different mechanisms of action (common combination treatments are add-on therapy with metformin, the most widely used anti-diabetic drug globally). Frequently, anti-diabetic drugs whether administered alone or in combination with other anti-diabetic drugs may be accompanied by various negative side effects such as weight gain, hypoglycemia and gastrointestinal (GI) complications.

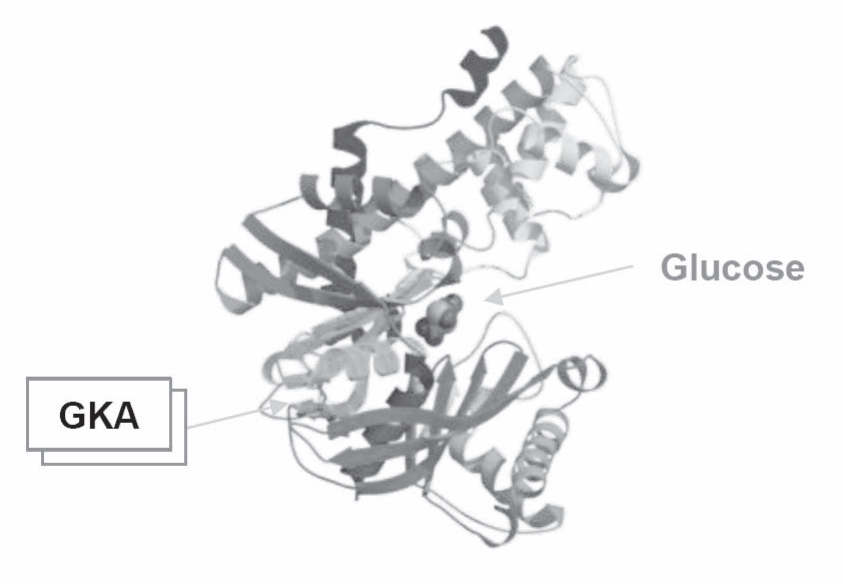
In our Phase I and II trials, Dorzagliatin demonstrated meaningful efficacy in lowering HbA1c levels both as a monotherapy in drug-naive patients and in combination with metformin (showing greater efficacy in drug-naive patients). At the same time, Dorzagliatin demonstrated a favorable safety profile without significant adverse side effects. In our Phase II trial, 35% of our patients in the 75 mg twice daily group achieved a composite endpoint of HbA1c less than 7.0% mmol / L, no hypoglycemia and no weight gain during our 12 week study (compared to 40% for high-dose liraglutide (GLP-1), 32% for low-dose liraglutide (GLP-1), 11% for DPP-4 inhibitors and 8% for sulphonylurea, each over a 26 week study period). In considering our composite results, we note (i) the principal purpose of our Phase II trial was to identify the optimum dosage to take into Phase III trials in China, and not to demonstrate Dorzagliatin's long-term efficacy (12 weeks being too short a period to confirm long-term efficacy), (ii) the other comparators for the study are generally proven Type 2 anti-diabetic drugs, (iii) our 12 week study period was shorter than the other study's 26 week trial period; and (iv) the characteristics of the respective study patients may be different. Also, a common negative side effect of liraglutide are GI complications, which Dorzagliatin did not exhibit during our Phase I and Phase II trials. Most importantly however, Dorzaglitin is designed to restore glucose homeostasis in Type 2 diabetics and showed promise in our Phase II trial by improving β-cell function and reducing insulin resistance (the two classic hallmarks of Type 2 diabetes) both during the 12-week trial period while patients were on Dorzagliatin and one week later after Dorzagliatin was withheld.

In addition to seeking to establish Dorzagliatin as a first-line treatment for drug naive patients in China and as an add-on treatment in combination with metformin, in the second half of 2019 we plan to evaluate in Phase I clinical trials, the combination of Dorzagliatin with other currently available anti-diabetic drugs. Dorzagliatin is the only GKA to enter Phase III clinical studies after demonstrating over a 12-week trial period effective glycemic control by restoring the impaired sensor function in the glucokinase enzyme residing in the pancreatic β-cells. It is therefore logical that a viable GKA should work well in combination with all the other currently approved oral and injectable drugs (which all employ different mechanisms of action from Dorzagliatin, with most of them being

either insulin or insulin analogues, or working to increase insulin secretion by the body without sensitivity to glucose levels). The success of these combination treatments will depend on satisfactory drug-drug interaction studies and demonstrated efficacy trials, which we plan to initiate in 2018 and 2019.

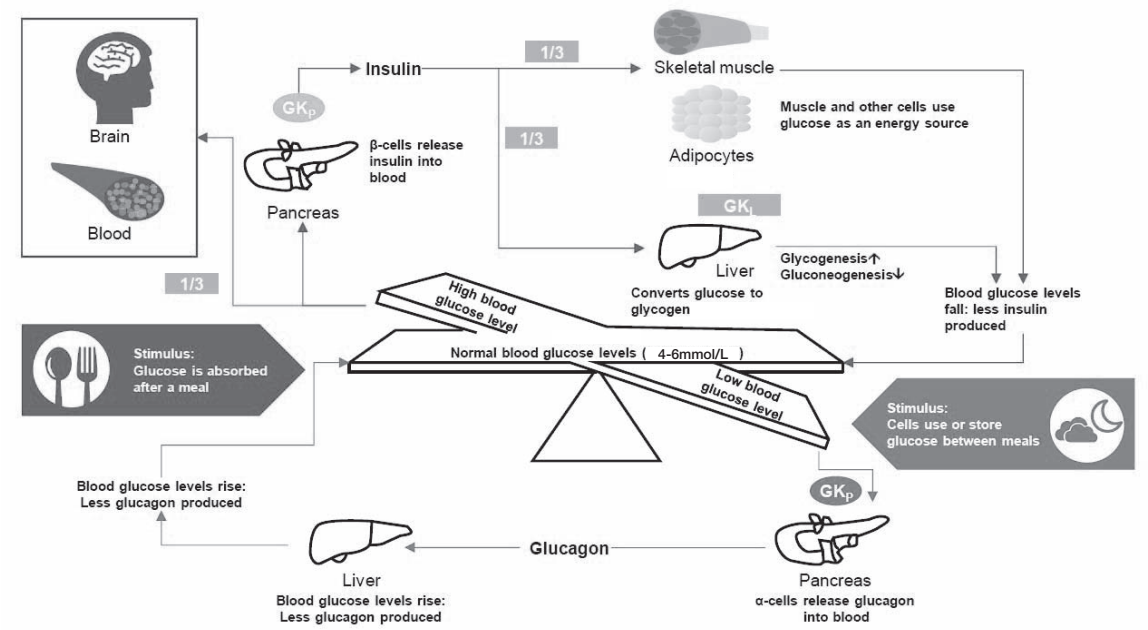
The Role of GK Activation in Diabetes

Glucokinase, or GK, acts as a sensor in the pancreas (triggering activity in α-cells that create glucagon and β-cells that create insulin) and in intestinal L-cells, and as a processor in the liver. As a glucose sensor, GK changes its conformation, activity, and/or intracellular location in parallel with changes in blood glucose levels (whether too high or too low). The below picture illustrates a GK enzyme in static form. In normal conditions, glucose binds to GK, changing its structure and creating another binding site for GK activators to bind and activate or positively modulate GK activity.

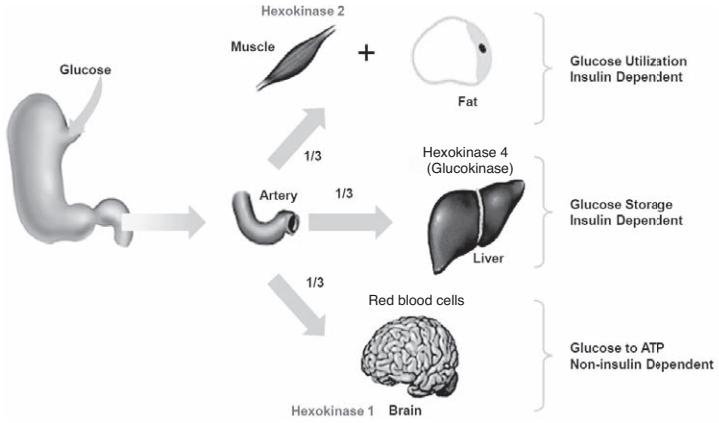


Similar to a thermostat, which warms or cools air based on temperature measurements, GK (when acting as a controller) is able to sense changes in glucose levels in the pancreas and the small intestine, and to make simultaneous adjustments to maintain glucose homeostasis. When the GK in the pancreas senses that glucose levels are rising (beginning approximately at 5 mmol/liter), for example after a meal, it triggers increased insulin secretion by β-cells in the pancreas. The release of insulin in response to the presence of glucose is referred to as glucose stimulated insulin release, or GSIR. The release of insulin into the blood stream then facilitates the entry of glucose into the liver, the muscles, and fat. Without insulin, glucose would not be able to enter the liver in a rapid and large scale manner. When the GK in the pancreas senses that blood glucose levels are low, for example during fasting conditions, GK augments the release by the pancreatic α-cells of the hormone glucagon, triggering the production of glucose in the liver, which, together with insulin produced by muscles and fat, is a process known as gluconeogenesis. When the GK in the small intestine senses glucose levels are high, it triggers the release of the hormone GLP-1, which augments insulin secretion by the pancreatic β-cells and suppresses the production of glucagon by the pancreatic α-cells.

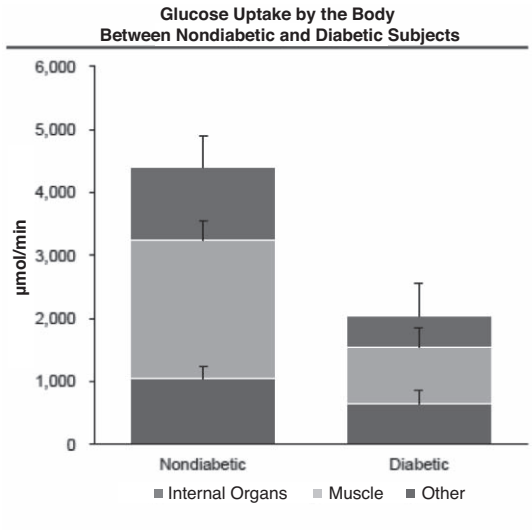
Unlike GK in the pancreas and small intestine, GK in the liver, or GK_L, does not serve as a sensor. In a fasting state, GK_L is bound by glucokinase regulatory protein, or GKRP, which inhibits the activity of GK_L. Bound together, the GK-GKRP inhibitory complex resides in the nucleus of liver cells, rendering GK_L inactive. Upon elevated levels of glucose (approximately 10 mmol/liter and above), the GK-GKRP inhibitory complex is disrupted, thereby freeing GK_L from GKRP, and releasing active GK_L into the cytoplasm of the liver. In the presence of elevated glucose levels in the liver, GK_L functions normally by initiating the first step of glycogenesis, the conversion of glucose into glycogen for storage in the liver. In this manner, GK_L serves as a processor of glucose, and as a result, the liver is able to clear or process approximately one-third of glucose after a meal by converting glucose into glycogen. In a fasting state, glucose is produced in the liver through (i) the breakdown of glycogen into glucose in a process called glycogenolysis or (ii) by converting various non-carbohydrate compounds such as amino acids, lactates and lipids into glucose in a process called gluconeogenesis. The diagram below illustrates the complex and delicate process of glucose homeostasis, and the central role of GK in the pancreas acting as a sensor to generate insulin and the liver acting as a processor to carry out glycogenesis and gluconeogenesis.



The diagram below further illustrates that after meal, approximately one-third of the glucose produced is used by the skeletal muscles and adipose cells (or fat) in an insulin-dependent manner via hexokinase 2 while another one-third is used by the brain in a non-insulin-dependent manner via hexokinase 1. The remaining one-third of glucose produced is processed in the liver in an insulin-dependent manner via hexokinase 4.



In the left diagram below, the level of glucose uptake (or absorption) was measured in muscle tissues, internal organs (including the liver) and other tissues in non-diabetic and diabetic subjects. As noted by the reduced bars for diabetic subjects, the level of glucose uptake was markedly lower in all three types of tissues measured. In the right diagram below, the three charts illustrate the different levels of glycogen production in the liver among MODY-2 subjects and subjects without MODY-2 (designated as control subjects). MODY is defined as maturity onset diabetes of the young and is caused by a mutation of the GK gene, GCK. MODY-2 mutation causes GK to become less sensitive or less responsive to rising glucose levels. Accordingly MODY-2 subjects typically live with a higher level of blood glucose levels. In a study of MODY-2 subjects measuring their liver production of glycogen after meal, it was observed that MODY-2 subjects with deficient GK produced less glycogen after meal than control subjects with normally functioning GK in the liver.

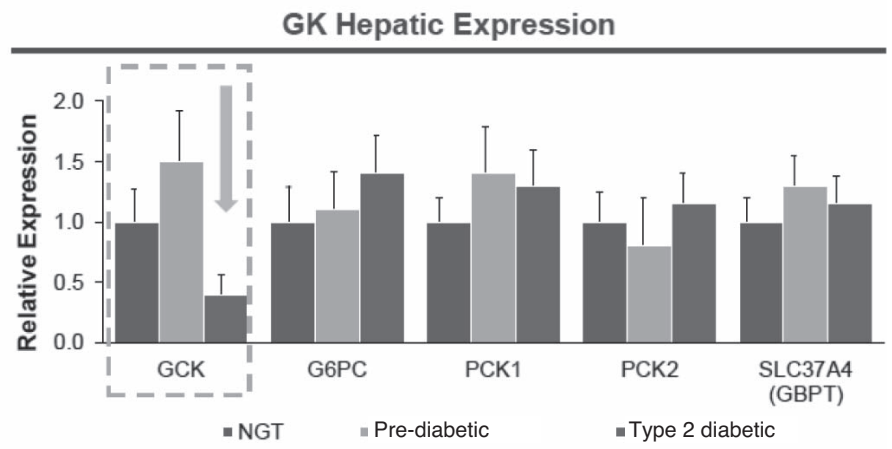


Source: *A. Basu, R. Basu, et al. "Type 2 Diabetes Impairs Splanchnic Uptake of Glucose" Diabetes June 2001*

Source: *Gilberto Velho, *Kitt Falk Petersen, et al. "Impaired Hepatic Glycogen Synthesis in Glucokinase-deficient (MODY-2) Subjects." The Journal of Clinical Investigation Oct. 1996*

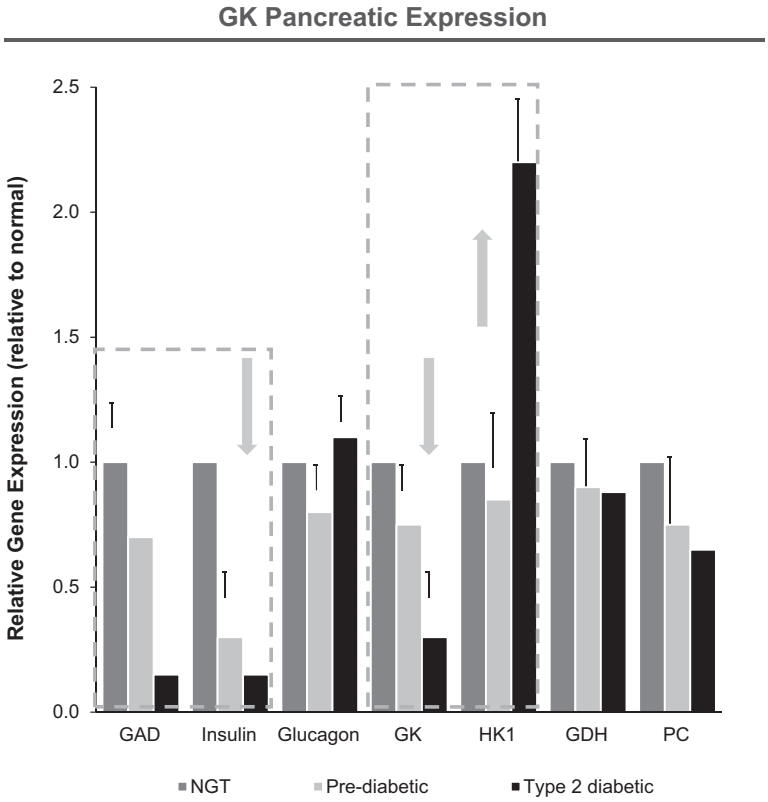
Note: The height of all bars in the diabetic subjects are lower (*P<0.05) than those in the non-diabetic subjects

Additional studies in humans also show that mutations in the gene encoding GK can cause both hyperglycemia and hypoglycemia, depending on the mutation, thereby confirming the critical role of GK in glucose homeostasis. In the diagram below, the expression level of five different genes commonly associated with diabetes were evaluated in the liver of three different types of subjects: (i) non-diabetic subjects, designated as normal glucose tolerant, or NGT; (ii) pre-Type 2 diabetic subjects designated as Pre-diabetic, HbA1c<7.0%; and (iii) Type 2 diabetic subjects, designated as Type 2 diabetic, HbA1c>7.0%. It has been widely believed that endogenous production of glucose via gluconeogenesis may be a hallmark of Type 2 diabetes. Two enzymes critical to the process of glucose production in the liver via gluconeogenesis are encoded by the G6PC, PCK1 and PCK2 genes. Accordingly, it would be expected that expression of the G6PC, PCK1 and PCK2 genes would be elevated in Type 2 diabetes patients. However, as illustrated by the diagram below, the expression levels of these genes (G6PC, PCK1 and PCK2) are comparable between NGT and Type 2 diabetes subjects, whereas the gene encoding GK, GCK, is substantially suppressed in Type 2 diabetes. Similarly, it is known that the glucose-6-phosphate transporter (encoded by the gene SLC37A4) is a key regulator of glucose production via gluconeogenesis, but the diagram below indicates no significant differences in SLC37A4 gene expression between NGT and Type 2 diabetes subjects.



Source: Rebecca A. Haeusler , Molecular Metabolism, Volume 4, Issue 3, 2015, 222—226

In the diagram below, the expression level of seven different genes commonly associated with diabetes were evaluated in the pancreas of the same three types of subjects: (i) NGT; (ii) Pre-diabetic subjects and (iii) Type 2 diabetic subjects. The PC gene encodes for an enzyme critical to endogenous glucose production via gluconeogenesis, while GDH encodes for an enzyme that promotes insulin secretion in the pancreas. Glucagon is a hormone that promotes the production of glucose when blood glucose levels are low. As illustrated by the diagrams below though, the expression levels of these genes are comparable between NGT and Type 2 diabetic subjects indicating the lack of any correlation between their expression levels and prevalence of the Type 2 diabetes condition. However, the expression of the genes for GK and insulin are substantially suppressed in Type 2 diabetic subjects as compared to NGT subjects. The GAD gene expression is also substantially lower in Type 2 diabetic subjects, likely due to the reduced levels of pancreatic β-cells in Type 2 diabetic subjects as compared to NGT subjects. In addition, HK1 gene expression is substantially elevated which is consistent with prior animal studies showing higher levels of hexokinase-1 in insulin resistant diabetic subjects.



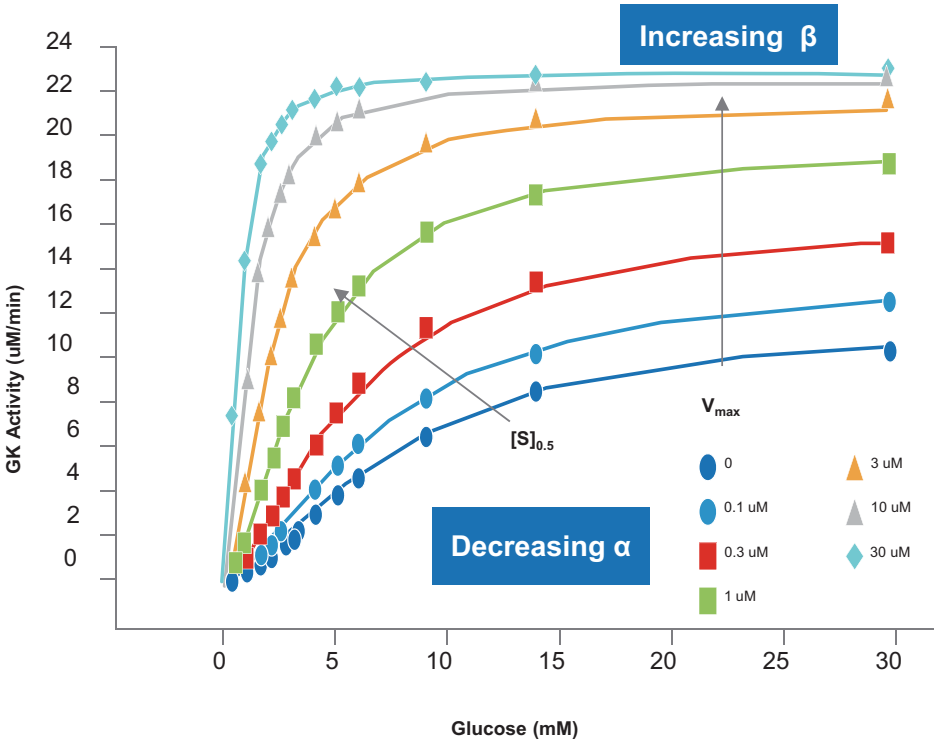
Source: C. Li, F.M. Matschinsky etal, Journal Bio. Chemistry, Dec 24, 2012 Online Publication

Dorzagliatin (HMS5552) — Our Novel Glucokinase Modulator

Dorzagliatin, or HMS5552, is an orally administered, small molecule, positive allosteric modulator of GK, or GKA. Dorzagliatin is a fully-activated, dual action GKA, simultaneously modulating the GK glucose sensor function in the pancreas and the GK processor function in the liver, based completely on glucose levels in the patient. Specifically, Dorzagliatin, which incorporates unique chemical scaffolding to reduce human metabolite accumulation, was designed to modulate the enzymatic activity of GK and improve its repaired glucose seusor function in Type 2 diabetics. Dorzagliatin also demonstrates desirable pharmacokinetic properties, excellent pharmacodynamics properties in humans, and significant improvements over prior GKAs.

Dorzagliatin is the first GKA to advance to Phase III clinical trials. Previously identified GKAs evaluated in clinical trials for the treatment of Type 2 diabetes demonstrated improved glycemic control. However, these GKAs showed either insufficient efficacy, heightened risks of hypoglycemia, dyslipidemia (abnormal lipid levels), and/or liver toxicity. These liabilities have been correlated with the chemical structure of each prior GKA candidate, which in some cases led to the hyperstimulation of GK in the β-cells and hepatocytes in a glucose independent manner and/or the accumulation of lipids in the liver, or "fatty liver". This result is consistent with the hypothesis that modulation of GK must remain dependent on glucose levels in order for GK targeting drug candidates to emerge as viable therapies.

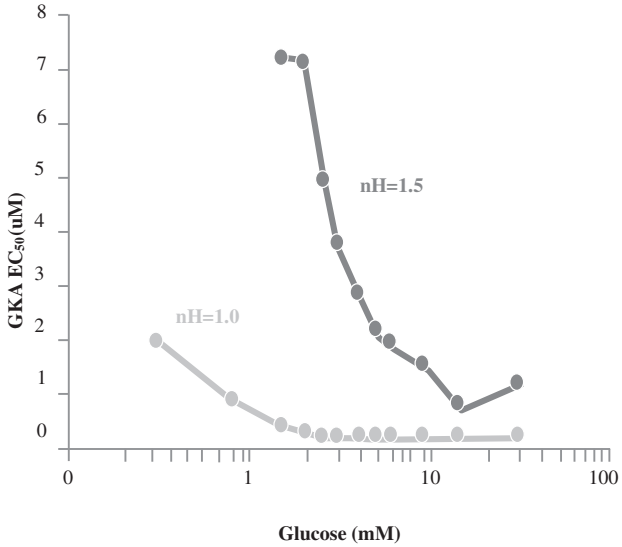
In healthy adults, GK is an enzyme and is properly sensitive to glucose, such that during periods of elevated glucose levels in the blood, GK's activity is correspondingly elevated. In Type 2 diabetes patients, the function of GK is impaired, with GK remaining inactive even during periods of elevated glucose levels. An ideal GKA drug candidate would restore the activity level of an impaired GK to that of a regularly functioning GK during periods of elevated glucose levels, without inducing any GK activity when glucose levels are low. In a study of the second-generation Roche GKA, Piragliatin, enzymatic assays conducted with recombinant human GK illustrated that Piragliatin increased the enzymatic activity of GK in a dose-dependent manner at all glucose concentrations tested. At a concentration of 1 μmol, Piragliatin caused an increase in V_{max} of GK from 10.6 to 17.9 μmol/min and decreased the $[S]_{0.5}$ for glucose from 7.6 to 3.7 mmol. Piragliatin increased the V_{max} of GK and decreased its $[S]_{0.5}$ for glucose in a dose-dependent manner. These combined effects increased the catalytic effectiveness of GK to metabolize glucose. Activation of GK by Piragliatin was consistent with a rate equation for a nonessential/mixed-type/activator.



Source: Ramakanth Sarabu, et al., Journal of Medicinal Chemistry July 2012

Increasing V_{max} is analogous with increasing β. GKAs with β values greater than 1 ($\beta > 1$) means that the GKA is increasing the V_{max} of GK, and is classified as fully activating. GKAs with β values lower than 1 ($\beta < 1$) means that the GKA is reducing the V_{max} of GK, and is classified as partial activating. Decreasing $[S]_{0.5}$ means that the affinity to binding glucose is enhanced, such that GK will bind to glucose at lower levels of blood glucose. Quantifying the changing binding affinity of glucose at different blood glucose levels can be measured by α values.

In biochemistry and pharmacology, the binding of a ligand to a macromolecule is often enhanced if there are already other ligands present on the same macromolecule — this is known as cooperative binding. The Hill equation is used to describe the fraction of a macromolecule (such as GK) saturated by ligand (such as glucose) as a function of the ligand concentration. The equation is useful for determining the degree of cooperativity of the ligands binding to the enzyme. In this manner, the Hill coefficient provides a way to quantify the degree of interaction between ligand binding sites. When appropriate, the value of the Hill coefficient, or nH, describes the cooperativity of ligand binding. When nH > 1.0, this means positive cooperative binding so that once one ligand molecule is bound to the enzyme, its affinity for other ligand molecules increases. When nH < 1.0, this means negative cooperative binding so that once one ligand molecule is bound to the enzyme, its affinity for other ligand molecules decrease. When nH = 1, this means non-cooperative (completely independent) binding so that the affinity of the enzyme for a ligand molecule is not dependent on whether or not other ligand molecules are already bound. Normal GK has nH = 1.7, demonstrating a positive cooperative binding profile for glucose. As such, a regularly functioning GK demonstrates an nH of 1.7 reflecting that it is not activated until glucose levels are over 5 mmols/liter and does not reach V_{max} until glucose levels are close to 10 mmols/liter. By contrast, hexokinase types 1, 2, and 3 are not glucose dependent and demonstrate an nH of 1.0 with V_{max} quickly reached at low glucose levels. Accordingly, an overly activated GK would result in an nH similar to the enzyme kinetic levels of hexokinase types 1, 2, and 3 — active and not dependent on glucose levels in the blood. Upon administration to a Type 2 diabetic patient, Dorzagliatin is able to induce an impaired GK to maintain a nH of over 1.5, relatively close to the nH of a regularly functioning GK. Below glucose levels of 4.0 mmols, regularly functioning GK, or Dorzagliatin activated GK, does not have effect. In this fashion, Dorzagliatin's positive allosteric modulation of GK, or GK PAM, provides intensive glycemic control without inducing hypoglycemia.



Source: Grimsby Current Topics in Medicinal Chemistry, 2008, Vol. 8, No. 17

* *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.*

We believe that a dual acting, fully activated GKA is the only feasible approach to restoring glucose homeostasis in Type 2 diabetics. As discussed above, GKAs in development can be classified as either dual acting (acting both in the pancreas and liver) or liver selective. Among the dual acting class of GKAs, they can be further classified as fully activated or partially activated. We believe a liver selective approach will have limited effect as, by design, it does nothing to repair the critical glucose sensor function of GK in the pancreas. Without repairing the GK sensor function in the pancreas, the dysfunction of insulin release in Type 2 diabetics remains. This limited effect was observed with Pfizer's liver selective GKA, PF-04991532. PF-04991532, the first liver-selective GKA, was the subject of a completed 12-week Phase II trial and demonstrated a moderate HbA1c reduction of 0.7% from baseline (or 0.49% if placebo corrected) at 750 mg once daily, less favorable than sitagliptin, or Januvia (DPP-4), 100 mg once daily.

Among the dual-acting, fully activated GKAs, care must be exercised to maintain the glucose dependency of GK activation in the pancreas without disrupting the glucose sensor function of GK in the liver. In the case of Merck's dual acting, fully activated GKA, MK-0941, even at 1 μmol of drug concentration, MK-0941 was reported to have activated GK in the pancreas triggering insulin release in isolated rat islets at glucose concentrations as low as 2.5 mmol. This poor enzymatic property, in turn, disrupted the GK glucose sensor function in the liver resulting in glucose stimulated insulin release at 2.5 mmol. This might have contributed to the increased rate of hypoglycemia observed in Type 2 diabetes patients treated with MK-0941. Despite the high rate of hypoglycemia, MK-0941 demonstrated limited efficacy in its Phase II trial in reducing HbA1c - an unexpected observation. It is hypothesized that this limited efficacy may be attributed to enrollment of Phase IIb trial patients who appeared, judging from disease-related characteristics, to be late-stage Type 2 diabetics with severely impaired β-cell function: only patients with undesirable glycemic control— even with the treatment of high dose basal insulin— were allowed to be enrolled. Thus, it is possible that MK-0941 could only target liver GK in these patients because they had already experienced significant loss of GK function in the pancreas. In other words, there was limited opportunity for MK-0941 to repair the pancreatic GK function. See "Industry — History of GKAs in Phase II Clinical Trials." In response to the high risk of hypoglycemia observed with MK-0941, dual acting, partially activated GKAs were investigated by other companies. However, partially activating GKAs effectively reduce V_{max} of GK ($\beta < 1$), and therefore cannot be expected to repair dysfunctional GK in Type 2 diabetics with a significant reduction of GK expression. In the case of Type 2 diabetics, reduction of GK expression causes glucose stimulated insulin release threshold to increase to a higher glucose level (>7 mM), causing - the "right shift" or delayed insulin release of Type 2 diabetics in the presence of elevating blood glucose levels. Therefore reducing V_{max} of GK in a diseased state where there is already insufficient GK will not likely be a viable approach to treat Type 2 diabetics. This limited efficacy was seen with the dual acting, partial activated GKA, AZD-1656. See "Industry — History of GKAs in Phase II Clinical Trials."

Our trials for Dorzagliatin suggest that our approach to GK modulation has the potential to avoid safety and tolerability issues associated with other GKAs. Dorzagliatin has also demonstrated no drug-drug interaction in Phase I trials with metformin from a PK perspective, and also demonstrated synergistic effect in combination with metformin in blood glucose lowering without hypoglycemia incidence. If approved, we believe Dorzagliatin could serve as a cornerstone therapy in diabetes care either as first-line therapy, or in combination with both OADs and injectable therapies. In our non-clinical and clinical trials, Dorzagliatin exhibited good and predictable human pharmacokinetic (PK) properties and optimized absorption, distribution, metabolism and excretion (ADME) properties. Specifically, in our Phase II trial, serum triglyceride concentrations were not increased in Type 2 diabetic patients on Dorzagliatin. In addition, in our animal drug safety studies, we did not observe any dyslipidemia or abnormality of liver histological readout in either our 26-week rat trial or our 39-week dog GLP trial. Typically, elevated triglyceride levels are observed rapidly after introduction of a culpable pharmacologic agent or fatty foods. These favorable attributes are critical in reducing risks while maintaining sustained efficacy, thus increasing the likelihood of success in clinical development.

Dorzagliatin Clinical Overview

We have completed seven Phase I trials and one Phase II trial in both China and the United States. The table below provides further detail of each such study:

Study, Country & Completion Date	Objectives & Major Clinical Findings	
HMM0101 Phase Ia China January 2014	Single dose study in healthy subjects to evaluate safety, tolerability, and PK/PD	1. Demonstrated good safety and tolerability in Chinese healthy subjects at low doses (up to 50 mg) 2. Demonstrated favourable PK/PD properties in healthy subjects 3. Demonstrated dual mode of action via dose-dependent glucose stimulated insulin release in pancreatic islets and hepatocyte glucose uptake

Study, Country & Completion Date	Objectives & Major Clinical Findings	
HMM0102 Phase Ib China October 2014	5.5 days on drug, 8 days of observation multiple-dose study in Type 2 diabetes subjects to evaluate safety, tolerability, and PK/PD	1. Demonstrated good safety and tolerability in Chinese Type 2 diabetes patients at high doses (up to 200mg) 2. Demonstrated favorable PK/PD properties in Type 2 diabetes patients 3. Demonstrated low risk of hypoglycemia, even at a 200 mg dose 4. Demonstrated effective control of 24-hour glucose and improvement of β-cell function, as observed through an improvement in early-phase insulin secretion after administration of drug
HMM0103 Phase Ic China February 2015	Four week multiple-dose study (75 mg once per day and 75 mg twice daily) in Type 2 diabetes subjects to evaluate safety, efficacy, and PK/PD. Also demonstrated proof of concept for our personalized medicine algorithm	1. Demonstrated good safety and tolerability in Chinese Type 2 diabetes patients after a 28 day treatment 2. Demonstrated favorable PK/PD properties in Type 2 diabetes patients 3. Demonstrated that Type 2 diabetes patients selected based on pre-defined biomarkers experienced a significant improvement in glycemic control and β-cell function, as observed through an improvement in early-phase insulin secretion after administration of drug
HMM0104 Phase I United States November 2015	A drug-drug interaction study with metformin in Type 2 diabetes subjects to evaluate DDI, and PK/PD	1. Demonstrated no drug- drug interaction between Dorzagliatin and metformin 2. Demonstrated synergies in the glucose lowering potential of the combination of Dorzagliatin plus metformin as compared to either metformin or Dorzagliatin as a monotherapy

Study, Country & Completion Date	Objectives & Major Clinical Findings	
HMM0105 Phase I United States April 2017	A mass balance study in healthy subjects	1. Demonstrated favorable PK properties in healthy subjects 2. Demonstrated no major human metabolite or accumulation issues associated with Roche's second generation GKA, Piragliatin
HMM0107 Phase I China December 2017	A drug-drug interaction study with CYP3A inhibitor itraconazole in Type 2 diabetes subjects	1. Provided requisite information for NDA submission regarding drug-drug interaction effect of CYP3A inhibitor Itraconazole when co-administered with Dorzagliatin
HMM0108 Phase I China April 2018	A drug-drug interaction with CYP3A inducer rifampin in healthy subjects	1. Trial completed; results pending final analysis
HMM0201 Phase II China August 2016	12-week multiple-dose study in Type 2 diabetes subjects to evaluate safety, efficacy, and PK/PD	1. Demonstrated good safety and tolerability in Chinese Type 2 diabetes patients after 12-week treatment, including limited incidences of hypoglycaemia and no signals of dyslipidemia 2. Demonstrated 50mg or 75mg Dorzagliatin twice daily improved glycemic control 3. Demonstrated proof-of-concept for a dual action, fully activated GKA to restore GK function in both the pancreas and the liver leading to improvement in glucose homeostasis in Type 2 diabetes 4. Demonstrated improved β-cell function and reduction in insulin resistance at week 12 (completion of Phase II trial), and continued improvement effect one week after drug was withdrawn

Note: We elected not to run an HMM0106 study of the effect of Dorzagliatin on cardiac repolarization (known as a "thorough QT study") because we established the absence of QT prolongation risk potential through modeling, which the CDA deemed as acceptable in lieu of the clinical trial.

Non-clinical Results

We have conducted several non-clinical studies in rats, mice and dogs as is required for our eventual NDA submission. Studies relating to PK/PD profile as well as long term (2-year) carcinogenicity studies in rats have been successfully completed. To further validate the mechanism of action of our GK activator and its potential to restore glucose homeostasis, we conducted a study of the effects of Dorzagliatin in rats with Type 2 diabetes. The study demonstrated that Dorzagliatin significantly improved insulin secretion and repaired GK expression in the liver. Dorzagliatin also repaired the glucose sensor function in both the pancreas and liver and improved glucose and insulin sensitivity. At the outset of the study, rats were allocated one of two dietary regimens: a normal diet, or a high fat diet for eight weeks. The rats that were fed a high fat diet were then induced by a single intraperitoneal injection of streptozotocin following a 7-day observation — a well-established mechanism of generating Type 2 diabetic rats for study. Eighteen rats with fasting plasma glucose greater than 8.0 mmol/liter were considered to be diabetes mellitius and were then randomly divided into three groups with six rats per group:

(i) a diabetic group that were administered phosphate-buffered saline once daily with a high fat diet;

(ii) a low-dose group (HMS-L) that were administered 10 mg / kg of Dorzagliatin once daily with a high fat diet; and

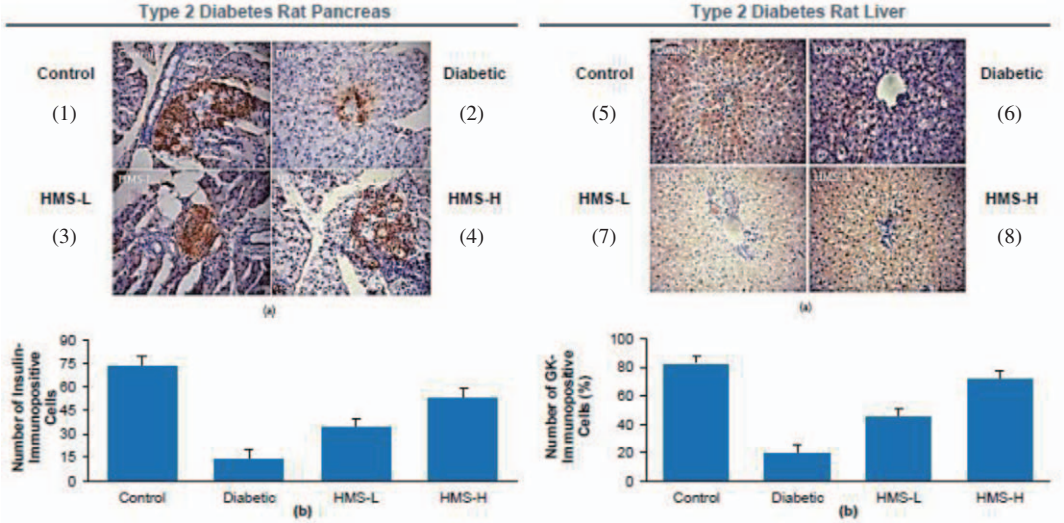
(iii) a high-dose group (HMS-H) that were administered 30 mg / kg of Dorzagliatin once daily with a high fat diet.

A further six non-diabetic rats that were administered saline with a normal diet served as the control group. At the end of the study, all the rats (diabetic and non-diabetic) were euthanized under anesthesia, and blood, liver and pancreas samples were immediately collected.

Liver and pancreas samples in each of the four groups were examined. As shown in the diagrams below, GK was mostly expressed in the cytoplasm of the rat hepatocytes. The number of GK-immunopositive cells was significantly decreased in the liver of the diabetic rats (diagram 6) compared with the control rats (diagram 5). This is evidenced by the larger number of yellow-stained cells in the control rat (diagram 5) each representing a GK-immunopositive cell, as compared to the absence of any such yellow-stained cells in the diabetes rats (diagram 6). After treatment with low-dose (diagram 7) and high-dose (diagram 8) Dorzagliatin, the number of GK-immunopositive cells was significantly increased compared with that found in the untreated diabetic rats (diagram 6), and the high-dose group (diagram 8) exhibited more GK-immunopositive cells than the low-dose group (diagram 7) after treatment.

An immunohistochemical analysis of insulin in the pancreatic tissues of all rat groups was performed. The rats in the control group presented strong immunoreactivity to insulin in β-cells, which occupy most of the islets. Significant decreases in number of insulin-immunopositive cells were observed in the diabetic rats (diagram 2) without the treatment compared to the control rats (diagram 1). The administration of low-dose (diagram 3) and high-dose (diagram 4) Dorzagliatin significantly improved the number of insulin-immunopositive cells compared with those found in the untreated

diabetic rats (diagram 2), and the high-dose group rats (diagram 4) exhibited more insulin-immunopositive cells than the low-dose group (diagram 3) after treatment. In other words, the control rats showed normal levels of insulin-immunopositive cells, which correlates with normal β-cell function and insulin secretion. Diabetic rats showed low levels of insulin-immunopositive cells and therefore β-cell impairment. Treatment with both low-dose and high-dose Dorzagliatin demonstrated the rescued β-cell function and the corresponding higher levels of insulin (diagram 4).



Source: R Wang, H Liu, L Chen, Y Duan, Q Chen, S Xi J. Diabetes Res 2017
Note: data presented are averages

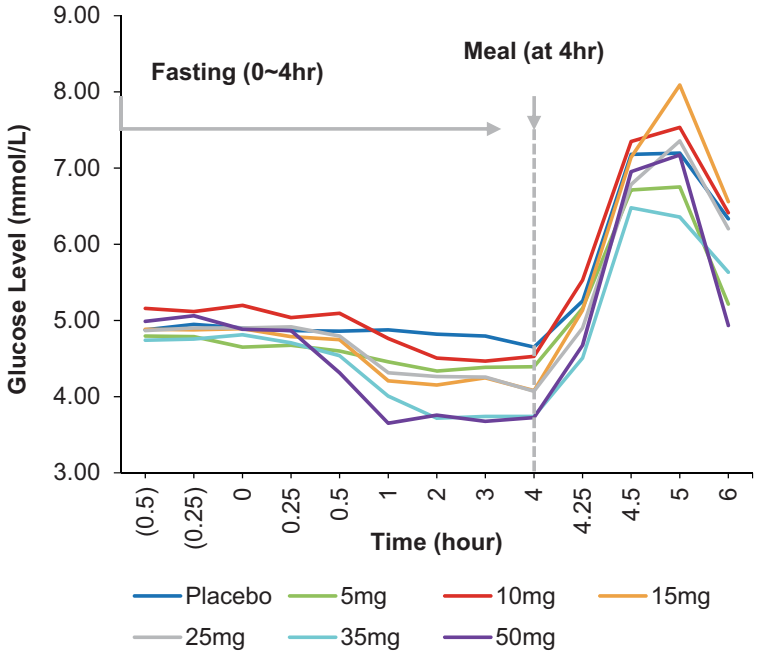
The results from this study confirmed that GK expression was reduced in Type 2 diabetic rats, which correlates to the status in Type 2 diabetic patients, and that Dorzagliatin treatment significantly rescued GK expression compared with that found in the diabetic group. GK expression is regulated by both insulin and glucose. It is our understanding that delayed early phase insulin secretion under Type 2 diabetic conditions will cause imbalanced glucose and insulin signalling which, in turn, causes the down regulation of GK expression. Dorzagliatin improved glucose sensing and early phase insulin secretion through GK activation, leading, in turn, to improved insulin sensitivity in the GK expression organ. This improvement may lead to the restoration of GK expression in the liver and pancreas. The Dorzagliatin treatment induced increase of insulin secretion cell numbers in Type 2 diabetes rat pancreases may suggest a restoration of the capability of β-cells in response to glucose elevation and glucose stimulated insulin release (GSIR).

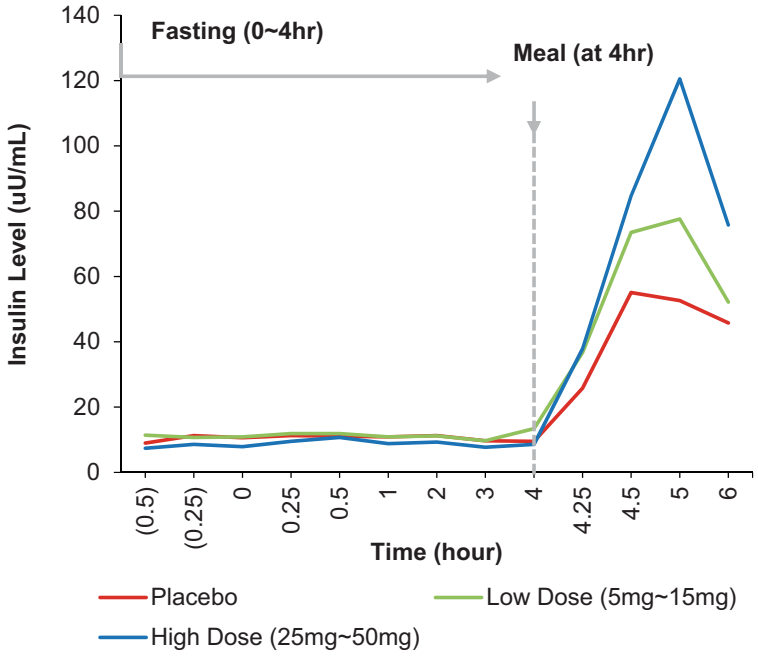
Completed Phase I Clinical Trials

Phase Ia

Our Phase Ia trial targeted healthy adults in China with a single ascending dose, or SAD, of 5 mg, 10 mg, 15 mg, 25 mg, 35 mg and 50 mg. We designed the trial to test (i) safety and tolerability, and (ii) PK/PD. We enrolled 60 subjects, including 31 males and 29 females in six treatment groups, which were then randomly selected to receive either active or placebo treatment. There were four male and four female subjects in each Dorzagliatin group except for the 50 mg Dorzagliatin group, which included five male and three female subjects. All demographic and baseline characteristics were comparable across the treatment groups.

Our Phase Ia trial demonstrated Dorzagliatin's excellent PK properties with linear proportional correlation between exposure and dose, regardless of patient gender. Our Phase Ia trial also demonstrated favorable dose dependent reductions in glucose and increases in insulin secretion when fasting plasma glucose levels and post-prandial plasma glucose levels were measured during the four hours prior to a meal, and in the two hours after. Our Phase Ia trial results were presented at the American Diabetes Association, 74th Scientific Session held in San Francisco, California on June 14-17, 2014, and published in *Drug Design, Development* and *Therapy* in 2016.



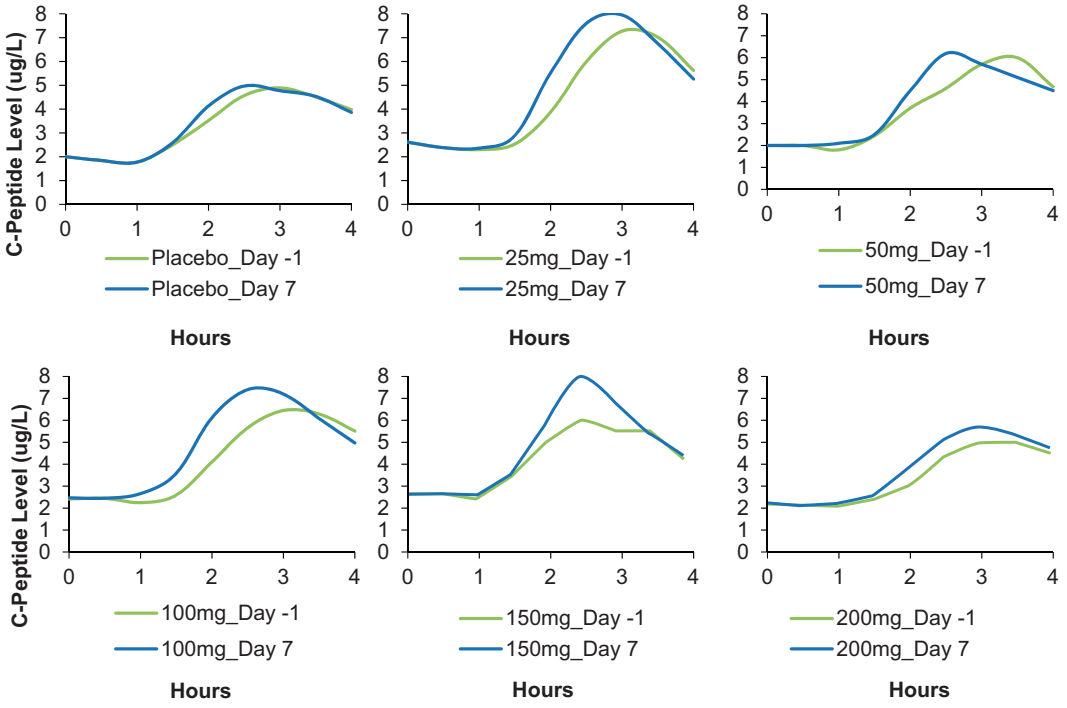


Note: data presented are averages

Phase Ib

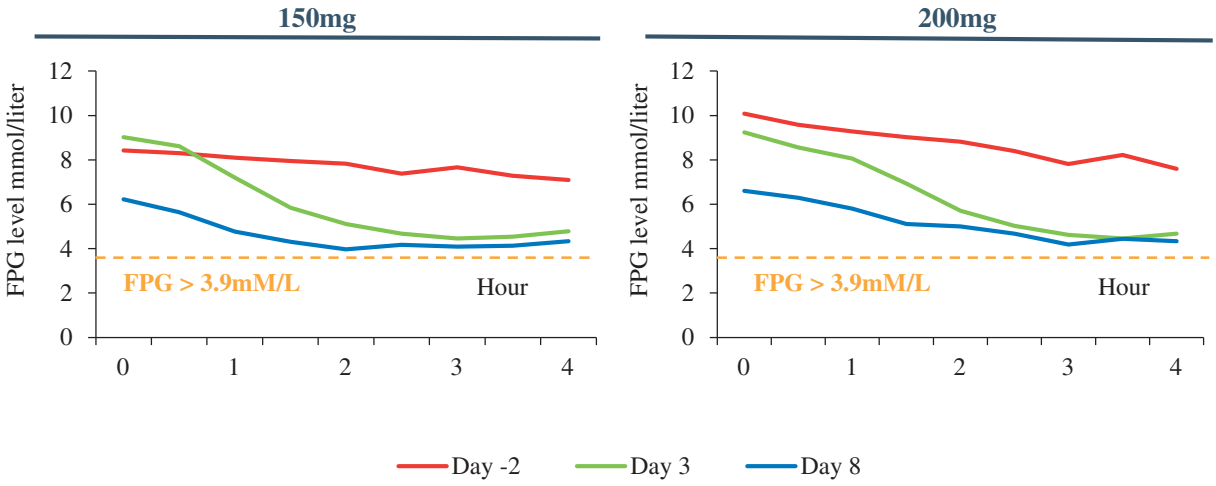
Our Phase Ib trial targeted Type 2 diabetes patients in China. Our primary objective was to evaluate safety and tolerability of Dorzagliatin following escalating multiple oral administration, or MAD, of 25 mg, 50 mg, 100 mg, 150 mg and 200 mg twice daily, compared to placebo. Our secondary objective was to characterize the PK and PD of Dorzagliatin following the escalation of MAD. We administered single doses orally on day one and day eight. We administered twice-daily doses orally on days three through seven. The trial included 53 Type 2 diabetes patients in China, with ten randomized on placebo. The trial resulted in demonstrated safety and tolerability and desirable PK/PD characteristics in line with Phase Ia.

Our Phase Ib trial also demonstrated in all dose groups that after seven days, Dorzagliatin increased the level of insulin release earlier in time as measured by C-peptide levels. C-peptide is an effective and common measurement of insulin production in the pancreas, as C-peptides are created as a by-product of insulin production. The table below shows the "left-shift" in GSIR by day seven, suggesting an improvement in early-phase insulin secretion in all dose groups on Dorzagliatin. Our Phase Ib trial results were presented at the American Diabetes Association, 75th Scientific Session held in Boston, Massachusetts on June 5-9, 2015.



Source: DL Zhu, Y. Zhang, L Chen et al ADA 75th Scientific Session, June 5-9, 2015, Boston
Note: data presented are averages

The below diagrams illustrate the effects of Dorzagliatin measured over a four-hour period after fasting, at days -2, 3, and 8, at a dosage of 150 mg in the first diagram and 200 mg in the second diagram. Both fasting and postprandial (after meal) glucose levels were reduced dose-dependently by Dorzagliatin. However, even at the maximum dosage of 200 mg per day, patients did not experience hypoglycemia.



Note: Each dose group had 10 patients, with 2 placebo and 8 treatment patients in each. Dosages were administered on day 1, and days 3-8. According to the American Diabetes Association, A1C below 3.9 mmol/lieter means "hypoglycemia alert value." This is distinct from "clinically significant hypoglycemia," which is A1C below 3 mmol/liter.

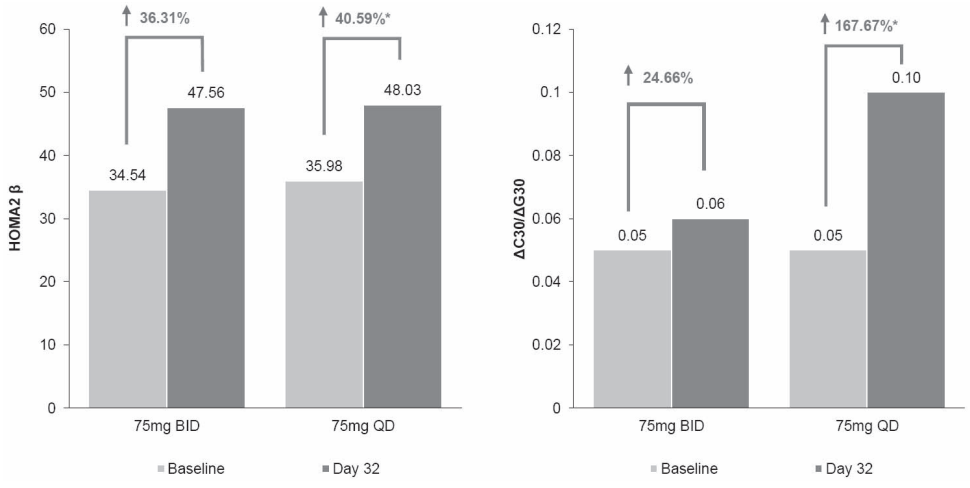
Note: data presented are averages

Source: DL Zhu, Li Chen et al ADA 75th Scientific Session, June 5-9, 2015, Boston

Phase Ic

Our Phase Ic trial involved 24 Type 2 diabetes patients in China over a period of four weeks: 28 days on drug, and then 4 days follow-up (trial concluded on day 32). We designed the trial to validate scientific and clinical questions from the Phase Ia and Ib trials and to evaluate the safety and tolerability of Dorzagliatin over a longer period of four weeks. In addition, we designed the trial to provide clinical validation of β-cell function improvement, explore PK/PD relationships, and to test a proprietary, algorithm-based predictive model using biomarkers in the clinic. This trial involved a dosage of 75 mg once per day, and 75 mg twice per day.

Significant reductions in HbA1c levels were observed in both regimens on day 28: 0.79% reduction for the 75 mg twice daily group and 1.22% reduction for the 75 mg once daily group. In addition, pancreatic β-cell function was assessed via oral glucose tolerance test (OGTT) on day -2 (baseline) and day 32, three days after drug treatment was discontinued, using the homeostasis model assessment of β-cell function (HOMA2 B) or insulin resistance (HOMA-IR) index. Corresponding blood samples were taken and insulin and glucose ratios, or insulinogenic index (being ΔInsulin/ΔGlucose), was calculated during OGTT and other assessment parameters were derived, such as C-peptide derived dynamic parameter (ΔC-peptide/ΔGlucose) (measured 30 minutes after OGTT), on day -2 and day 32. From these results, both regimens indicated an improvement in β-cell function as measured by HOMA2 B parameter, and by ΔC30/ΔG30 as illustrated in the diagrams below.

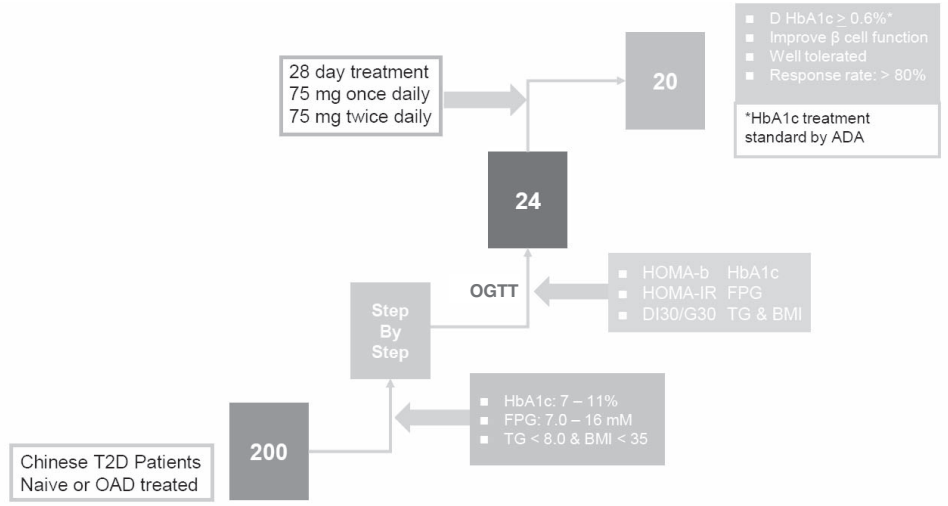


* $p < 0.05$

Source: X. Zhu, D. Zhu, X. Li, et al. Diabetes, Obesity and Metabolism 2018
Note: data presented are averages

In the left diagram above, both regimens resulted in an increase from baseline to day 32 in HOMA2 B by 36.31% and 40.59% ($p<0.05$) for the twice daily and once daily groups, respectively indicating enhanced β-cell sensitivity to blood glucose. In addition, in the right diagram above, both regimens indicated an increase in ΔC30/ΔG30 on day 32 by 24.66% and 167.67% ($p<0.05$), respectively, for the twice daily and once daily groups, suggesting an improvement in early-phase insulin secretion after a 28 day treatment period.

Relating to our proprietary algorithm based predictive model using biomarkers, we began with 200 Chinese Type 2 diabetes patients that had either never taken anti-diabetic drugs, or drug-naive patients, or had previously been treated exclusively with oral anti-diabetic drugs only. From these 200 patients we screened for the following four criteria: HbA1c levels between 7% to 11%; fasting prandial glucose levels of 7.0 to 15.0 mmol; triglyceride levels below 4.2 mmol/liter; and body mass index of 20.0 to 29.0 kg/m^2, and subsequently administered an oral glucose tolerance test (OGTT). The final patient population was narrowed to 24 patients, of which 20 patients (or 83.3%) responded to our 4-week study demonstrating greater than 0.6% reduction in HbA1c levels and improved β-cell function.



There were no SAEs and no severe or night hypoglycemia reported in the study. All reported AEs were considered by the site investigator to be mild in intensity and no AEs led to study discontinuation. Our Phase Ic trial results were presented at the American Diabetes Association, 76th Scientific Session held in New Orleans, Louisiana on June 10-14, 2016. In addition, the results were published in *Diabetes, Obesity and Metabolism* on April 29, 2018.

With respect to our Phase Ic trial, it should be noted that although both the 75 mg twice daily and 75 mg once daily showed statistically significant reductions in HbA1c levels and statistically significant improvements in β-cell function in our Phase Ic trial, the 75 mg once daily group demonstrated superior results relative to 75 mg twice daily group. This specific finding is reversed in our Phase II trial, where the 75 mg twice daily group demonstrated markedly superior results relative to the 75 mg once daily group. This divergence in result is explained by the difference in trial design between Phase Ic and Phase II, with different groups of Type 2 diabetic patients enrolled into the clinical studies for different treatment periods. Our Phase Ic trial was conducted over 4 weeks, and involved 24 Chinese Type 2 diabetics, selected for enrollment in our trial based on our proprietary algorithm (which can be employed to subclassify Type 2 diabetics into 6 subgroups based on 9 different biomarkers). In other words, in our Phase Ic trial using our proprietary algorithm we screened patients for specified biomarkers to identify a specific subgroup of Type 2 diabetic patients. In contrast, in our Phase II trial, involving 258 Chinese Type 2 diabetics over 12 weeks, we did not select or screen patients using our proprietary algorithm and, as a result, the Phase II participants reflect a generalized population of Type 2 diabetics. This divergent result provides strong evidence that a personalized medicine approach utilizing our predictive algorithm could provide an alternative

way to select patients into clinical study and to provide tailored benefits to different subclasses of Type 2 diabetic patients. Although the Phase Ic results suggest that the 75 mg once daily dosage may be optimal for a specific subclass of Type 2 diabetics, we determined that the 75 mg twice daily dosage would be optimal for patient enrollment in our Phase III trial based on traditional Phase II trial design using blood glucose level as the sole biomarker (HbA1c and FPG) which is currently utilized clinically and broadly accepted as the diagnosis and treatment standard.

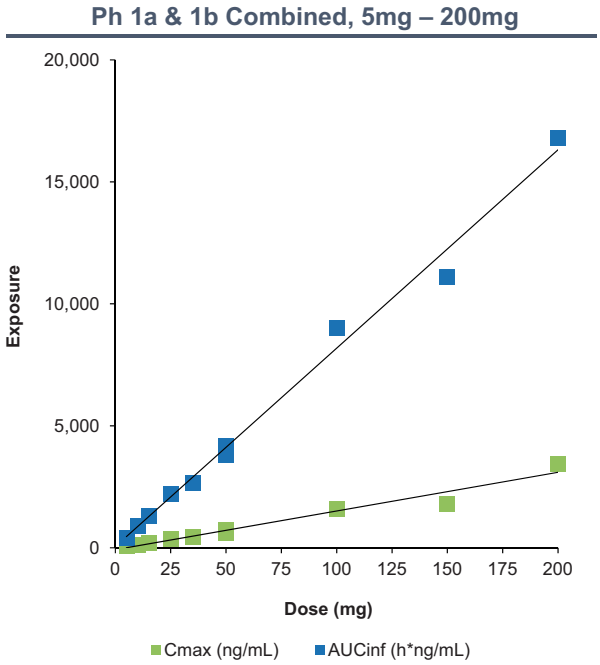
Pharmacokinetic Studies

Pharmacokinetic, or PK, measures the drug concentration-time courses in body fluids resulting from administration of a certain drug dose. Favorable PK characteristics of drug candidates are important in predicting the success of a drug during the development process, as well as in translating a drug's usage from a group of hundreds of patients in the clinical setting to millions of patients in the real world. To measure the PK profile of Dorzagliatin, we measured the area under a plasma concentration-time curve from the time of administration to infinity (AUC_{inf}). In addition, we also measured the maximum concentration, or C_{max}, that Dorzagliatin achieved. From our Phase I trials, Dorzagliatin demonstrated favorable PK characteristics, as evidenced from various aspects shown below.

Excellent linearity

In our Phase Ia trial, we evaluated the PK characteristics of Dorzagliatin after a single dose administration in healthy patients with six different dosages (5, 10, 15, 25, 35, and 50 mg). We also evaluated the PK characteristics of Dorzagliatin after both single and multiple dose administrations in Type 2 diabetes patients with five different dosages in our Phase Ib trial (25, 50, 100, 150 and 200 mg). Dorzagliatin showed a linear and dose-proportional PK for both C_{max} and AUC_{inf} under all circumstances. This indicates that Dorzagliatin's PK and safety profile at high doses can be extrapolated from low doses. Such predictable and consistent PK characteristics, across various dosages are therefore very favorable to a drug candidates' suitability as an effective, safe, and tolerable drug.

In our various Phase I trials, Dorzagliatin also exhibited a half-life of eight to ten hours, supporting a twice daily regimen.



Source: Li Chen, Y Zhang et al ADA 75th Scientific Session, June 5-9, 2015, Boston
Note: data presented are averages

Lack of food effect

In our Phase Ib trial, we compared the PK properties of Dorzagliatin, administered with or without food, in Type 2 diabetes patients with various dosages. The results showed that food has no impact on Dorzagliatin's PK properties. This makes Dorzagliatin suitable for administration either before a meal as usually required for anti-diabetic drugs, or after meals as a rescue for incomplete drug administration compliance.

No gender difference

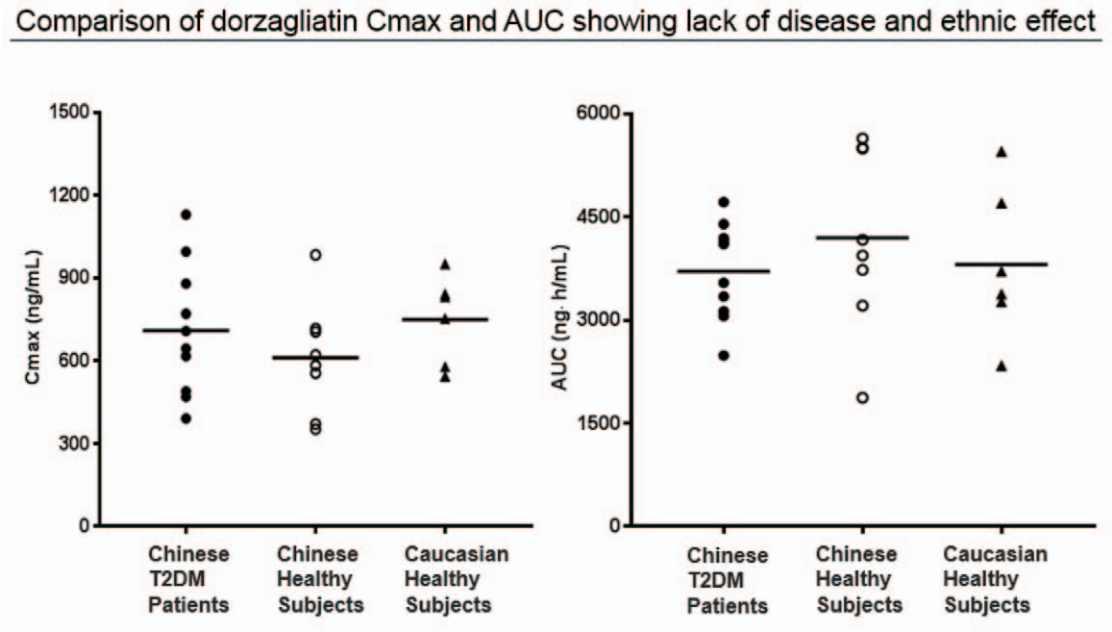
In our Phase Ib trial, we also evaluated the effect of gender on the PK properties of Dorzagliatin. Dorzagliatin showed a similar PK profile between male and female Type 2 diabetes patients. This allows Dorzagliatin to be used at the same dose and dosing regimen in male and female patients without dose adjustment.

No difference in PK between healthy patients and Type 2 diabetes patients

We compared PK properties of Dorzagliatin at 25 and 50 mg doses from a Phase Ia trial conducted in healthy subjects and Phase Ib trials conducted in Type 2 diabetes patients. The comparison showed no difference in terms of C_{max} and AUC between Chinese heathy subjects and Type 2 diabetes patients, indicating that the Dorzagliatin PK properties are not affected by the presence of the disease (or, in other words, the pathological state).

No ethnic difference

We compared the PK properties of Dorzagliatin in healthy Chinese and Caucasian subjects after a 50 mg single dose administration from two Phase I trials. The comparison showed substantially overlapping C_{max} and AUC ranges and very close mean values (shown as "—" in the below figure), indicating lack of PK difference between heathy Chinese and Caucasian subjects. This allows for PK efficacy and safety data as well as dosing instructions derived from Chinese subjects to be directly translated to Caucasian subjects without further studies in that population.

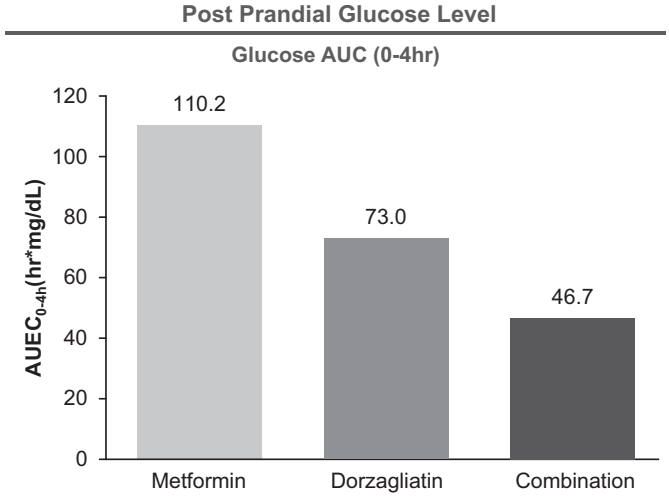


Note: data presented are averages

Phase I U.S. Drug-drug interaction trials

Given metformin's prevalence as the standard of care in the United States, we carried out a Phase I drug-drug interaction trial in the United States (HMM0104) with metformin that demonstrated good compatibility as a combination therapy. Patients were separated into three cohorts: 500 mg metformin; 50 mg Dorzagliatin; and 500 mg metformin in combination with 50 mg Dorzagliatin. 15 patients were included in the trial and administered the drugs over 13 days. We then administered an oral glucose tolerance test and measured the post-prandial glucose levels for four hours after administration. Compared to metformin alone, Dorzagliatin alone showed clear advantage on post-prandial glucose control at four hours after meal. However, the combination of Dorzagliatin and metformin demonstrated the best effect on overall post-prandial glucose control. We observed no hypoglycemia adverse effects in the study. The study also shows that there is no drug interaction between the PK properties of Dorzagliatin and metformin.

The following diagram illustrates the post-prandial glucose levels for metformin, Dorzagliatin and a combination of metformin and Dorzagliatin.



Note: data presented are averages

The U.S. FDA allowed us to initiate Phase I trials in the United States based on our prior Phase Ia, Phase Ib and Phase Ic trials conducted in China without further studies or analysis. Due to the cost and protracted timeframe necessary for identifying drug-naive patients for enrollment in the United States, and the high barriers to designing a Phase III trial that would enable us to establish Dorzagliatin as a first-line therapy in the United States, we elected to focus subsequent clinical trials in China.

In addition, we conducted two separate trials in China evaluating drug-drug interactions (HMM0107 and HMM0108) with both a CYP3A (an enzyme that metabolizes drugs) inhibitor itraconazole and CYP3A inducer rifampin in healthy subjects. These trials will be included in our NDA submission with the CDA. We completed these trials satisfactorily in December 2017 and April 2018, respectively.

Phase I mass balance trial

Our Phase I mass balance study (HMM0105) was successfully completed in the United States in 2017 with data that confirmed both Dorzagliatin's favorable human PK properties and with no observed human metabolite accumulation issues.

Completed Phase II Clinical Trial

The Phase II trial (HMM0201) was a multi-center, randomized, double-blind, placebo-controlled study in Chinese Type 2 diabetes patients to evaluate the safety and efficacy of Dorzagliatin at dosages of 75 mg once per day, 100 mg once per day, 50 mg twice per day and 75 mg twice per day over a 12-week treatment period. The primary endpoint of the study was the change in HbA1c level from day one of treatment (or baseline) to the end of the treatment period. Following the guidelines issued by both the U.S. FDA (2008) and the European Medicines Agency (2012) regarding clinical investigation

of drugs for diabetes, HbA1c was adopted as the primary endpoint to support a claim based on glycemic control. These guidelines have also been adopted by the CDA. HbA1c at any point in time reflects the average glucose concentration over the preceding 2-3 months, and therefore a 12-week period would properly record the change in HbA1c level that an investigational drug would have on a patient. Since the primary objective of Phase II trials is to find the optimum dosage for the Phase III efficacy trials, a 12-week period for Phase II trials in investigating diabetes drugs has become the industry standard. Although the CDA and U.S. FDA have not been explicit on the recommended period for Phase II trials studying Type 2 diabetes drugs, in the 2012 guidelines issued by the EMA discussing their recommendations for dose-finding exploratory studies, the EMA has specifically stated that "In dose ranging studies, at least 3 dosages should be studied with a total treatment phase of at least 8 weeks and usually up to 3 months." Although most of the recently approved and injectable drugs for Type 2 diabetes underwent a 12-week trial, we note that the recently approved Type 2 diabetes drug (subcutaneous-administered semaglutide) underwent a 26-week Phase II trial.

As it relates to registration trials, or Phase III trials, placebo-controlled trials are also recommended by both the U.S. FDA and the EMA as necessary to get relevant information on the glucose-lowering effect of the investigational drug. However, ethical concerns must also be considered with the objectives of the clinical trials employing such placebo-controlled method. Accordingly, "placebo-controlled monotherapy studies of more than three months in duration should therefore be reserved for patients at an early stage of the disease, and use of placebo for more than six months is generally not recommended." Accordingly, a 24-week period for Phase III trials in investigating diabetes drug candidates' efficacy for monotherapy is accepted. Our Phase II study enrolled 258 Type 2 diabetes patients, who were randomly assigned to five dosage groups: placebo, 75 mg once per day, 100 mg once per day, 50 mg twice daily and 75 mg twice daily. The study demonstrated that Dorzagliatin caused a dose-dependent decrease in HbA1c levels over the treatment period. Statistically significant decreases in HbA1c levels from baseline were observed after 12-week treatment with Dorzagliatin for the 50 mg twice daily and the 75 mg twice daily groups: a placebo-adjusted difference reduction of 0.44% in HbA1c level for the 50 mg twice daily group and a placebo-adjusted difference reduction of 0.77% in HbA1c level for the 75 mg twice daily group ($P<0.05$). The total adverse event rate between the patient groups on Dorzagliatin and placebo were similar. There were no drug-related serious adverse events or incidents of severe hypoglycemia.

Trial Design

Enrollment

The study included Chinese male or non-pregnant female patients with Type 2 diabetes, aged between 40 and 75 years old, with a body mass index (BMI) between 19.0 kg/m^2 and 30.0 kg/m^2, and on a diet and exercise regimen. All patients were either antidiabetic drug-naive or had prior monotherapy treatment with metformin or an α-glucosidase inhibitor monotherapy (acarbose). Prior to randomization, all patients had HbA1c levels between 7.5% (58.5 mmol/mol) and 10.5% (91.3 mmol/mol), and fasting plasma glucose levels (or FPG) between 7.0 mmol/liter and 13.3 mmol/liter. Following a four-week period where patients stopped administration of any other antidiabetic

medications and took only placebo (the run-in phase), we excluded patients with certain health issues, such as cancers, high blood pressure and certain viral infections, after which eligible patients were randomized to enter a 12-week double-blind treatment period followed by a one-week follow up period.

The following table sets forth certain data with respect to the enrolled population for our Phase II clinical trial, which reflects patients that were randomized and administered one study dose, with at least one measurement of the change in HbA1c levels from baseline to week 2 of treatment.

	Placebo (n=53)	**HMS5552 75 mg once per day (n=53)**	**HMS5552 100 mg once per day (n=50)**	**HMS5552 50 mg twice daily (n=50)**	**HMS5552 75 mg twice daily (n=49)**
Age, years	54.73 (8.5)	57.58 (9.2)	56.70 (7.7)	54.92 (8.1)	55.42 (7.7)
Male, n (%)	31 (58.5)	27 (50.9)	28 (56.0)	34 (68.0)	31 (63.3)
BMI, kg/m^2	25.19 (2.61)	24.72 (2.87)	25.01 (2.94)	24.69 (2.31)	25.32 (2.54)
HbA1c, %	8.39 (0.78)	8.44 (0.80)	8.27 (0.64)	8.33 (0.65)	8.46 (0.67)
FPG, mmol/liter	9.28 (1.76)	9.93 (2.34)	9.13 (1.49)	9.39 (1.53)	9.86 (1.99)
PPG, mmol/liter	16.95 (3.73)	18.04 (3.30)	17.43 (3.20)	17.24 (3.09)	17.88 (3.13)
Drug Naive, n(%)	19 (35.8)	22 (41.5)	22 (44.0)	18 (36.0)	22 (44.9)
Time Diagnosed as T2D Patients n (%)					
Less than 1.5 years	23 (43.4)	27 (50.9)	23 (46.0)	25 (50.0)	24 (49.0)
1.5 years — 3.0 years	11 (20.8)	6 (11.3)	12 (24.0)	10 (20.0)	10 (20.4)
3.0 years — 5.0 years	6 (11.3)	9 (17.0)	5 (10.0)	4 (8.0)	5 (10.2)
5.0 years — 10.0 years	9 (17.0)	5 (9.4)	6 (12.0)	7 (14.0)	8 (16.3)

Data are n (%) or mean standard deviation (SD) in full analysis set (FAS) population

Trial Procedures

At four to seven days before randomization, we measured fasting HbA1c and FPG levels. At randomization and two, four, eight, and 12 weeks after the treatment, we measured the fasting HbA1c, FPG, and fasting insulin. We also measured two-hour postprandial glucose (PPG) and β-cell function at baseline, Week 12 and Week 13.

Primary and Secondary Endpoints

We considered the primary efficacy endpoint to be the change in HbA1c levels from baseline to end of 12 weeks of treatment. The secondary efficacy endpoints against baseline included: therapeutic glycemic response rate (percentage of patients with HbA1c levels less than 7.0%, 53.0 mmol/mol) at end of treatment period; the change of FPG at every assessment point during the treatment period; and the change of two-hour PPG at end of treatment period. We also evaluated composite response rates (percentage of patients with HbA1c levels less than 7.0%, 53.0 mmol/mol, no weight gain and no hypoglycemia), HOMA-IR, and disposition index (DI). The DI was calculated from the formula: DI = (ΔI30/ΔG30) x 1/fasting insulin, where ΔI30 is the insulin change 30 minutes after the meal and ΔG30 is the glucose change 30 minutes after the meal.

Safety Endpoints

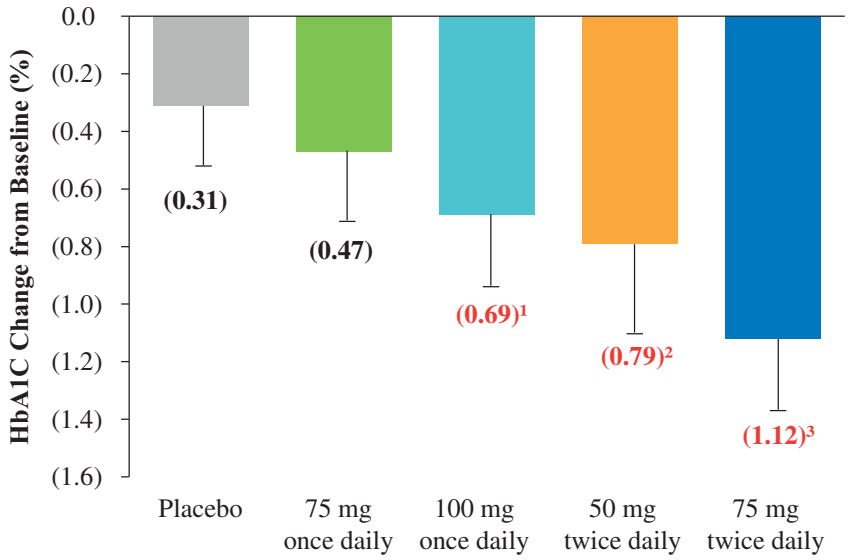
Safety and tolerability endpoints included adverse events (AEs), hypoglycemic events, clinical findings in physical examination, vital signs, 12-lead electrocardiograms (ECG), and clinical laboratory tests (such as hematology, blood biochemistry, urinalysis). We also analyzed and summarized treatment emergent adverse events (TEAEs) that occurred between the day of randomization and seven days after the last dose of study medication.

Trial Results

We conducted the study in early stage Type 2 diabetes patients in China with an average disease history of approximately three to four years and average HbA1c levels around 8.5%. 35.8% to 44.9% of the patients were classified as anti-diabetic drug-naive in the different dose groups, and the rest of patients were selected from those using metformin or α-glucosidase inhibitor (or acarbose) monotherapy only. We designed the study to test our principal hypothesis that the impairment of GK glucose sensor function occurs at the onset of Type 2 diabetes, and accordingly, Type 2 diabetes patients should be treated with a GK activator, such as Dorzagliatin, as first-line therapy.

We also designed the Phase II trial to identify the minimum effective dose (MED) of Dorzagliatin in Type 2 diabetes patients in China. In this study, the results showed that Dorzagliatin reduced HbA1c levels dose dependently with 75 mg once per day, 100 mg once per day, 50 mg twice daily and 75 mg twice daily, after a 12-week treatment period. In the 75 mg twice daily group, HbA1c, FPG and PPG levels were all well controlled, without increasing hypoglycemia or dyslipidemia risk. The HbA1c reduction was significant starting from week four, and continued in weeks eight and 12. For the drug-naive patient group in this study, the reduction of HbA1c was significant at all dose groups.

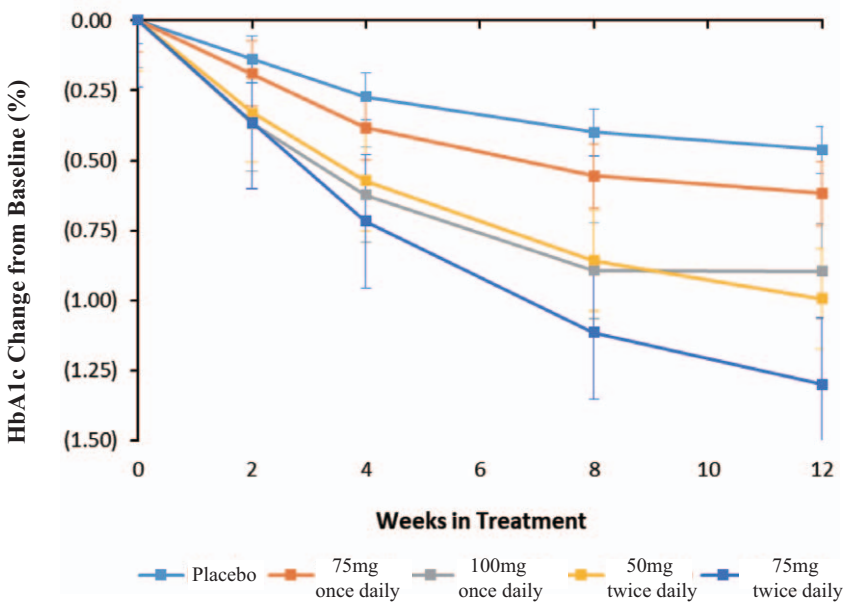
The following chart illustrates the change in HbA1c from baseline after 12 weeks of treatment.



1. P<0.05, 2. P<0.01, 3. P<0.001 compared to placebo group

Note: The averages calculated above applied least-square mean averages. The HbA1c reduction over placebo is (i) .16% for 75 mg once daily, (ii) .38% for 100 mg once daily, (iii) .48% for 50 mg twice daily and (iv) .81% for 75 mg twice daily.

The following chart illustrates the change in HbA1c from baseline over time for each of the indicated dosage groups. Each of the active dosage groups demonstrated a progressive reduction in HbA1c levels corresponding with increased time on drug. In addition, with respect to the 75 mg twice daily group, Dorzagliatin demonstrated a progressively greater reduction in HbA1c levels after 8 weeks and 12 weeks, indicating a sustained effect that might not have reached its maximum by the end of the study.



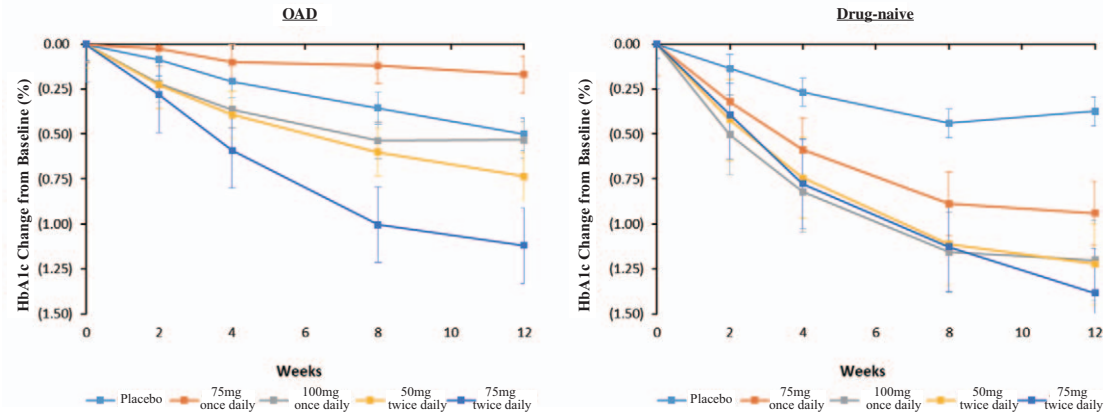
Source: *DL Zhu, Y Zhang, L Chen* et al ADA 77th Scientific Session, June 9-13, 2017, San Diego, and published in* The Lancet Diabetes and Endocrinology *in May 2018.*

Note: *The averages calculated above applied mean square averages*

Company data

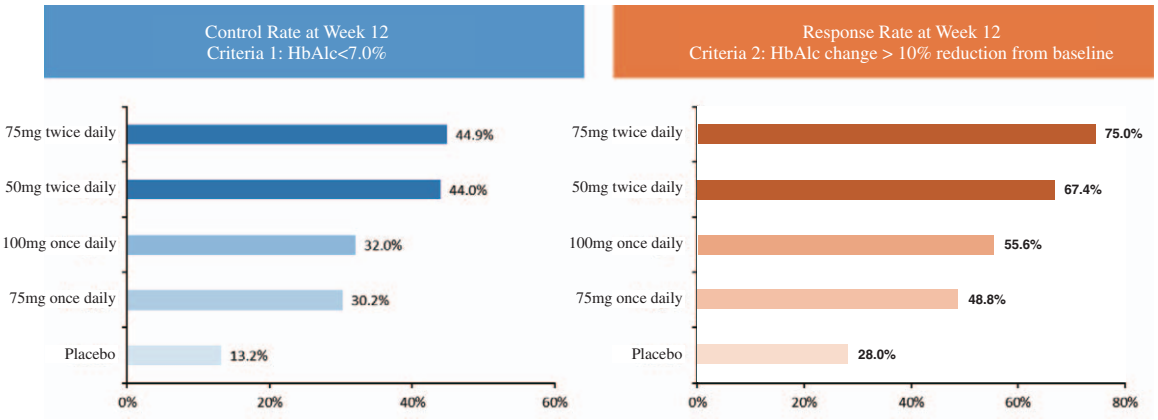
The following charts illustrate the change in HbA1c from baseline for both patients previously receiving metformin or acarbose, or OAD patients, and anti-diabetic drug-naive patients, or patients who had never before taken anti-diabetic drugs. These results indicate that Dorzagliatin is more effective at lowering HbA1c levels among drug-naive Type 2 diabetic patients than those patients who were previously administered oral anti-diabetic drugs. The charts indicate that Dorzagliatin was more effective in drug-naive patients when compared with OAD patients, and that for OAD patients, only the 75 mg twice daily cohort showed statistically significant effectiveness over placebo.

OAD or Naïve / Number		HbA1c Reduction from Baseline (%)				
		Placebo	75 mg once daily	100 mg once daily	50 mg twice daily	75 mg twice daily
OAD	34/31/28/32/27	(0.41)	(0.15)	(0.42)	(0.70)	(0.97)*
Drug-naive	19/22/22/18/22	(0.17)	(0.85)*	(0.95)*	(1.04)*	(1.21)*

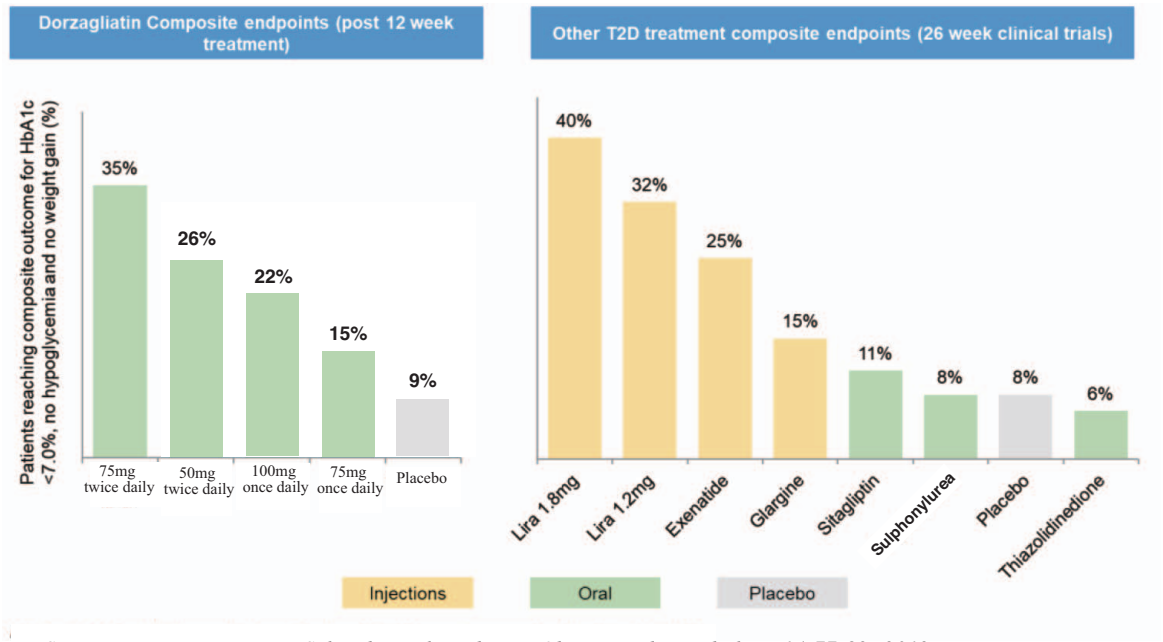


* $p < 0.05$ compared to placebo group

In our Phase II trial, 44.9% of the patients in the 75 mg twice daily group were able to achieve glycemic control (as measured by HbA1c levels below 7.0% at week 12) and 75.0% of the same patient group were able to reduce their HbA1c baseline levels by greater than 10% by week 12. The following diagram illustrates the response rates of achieving glycemic control and treatment response as measured by HbA1c changes.



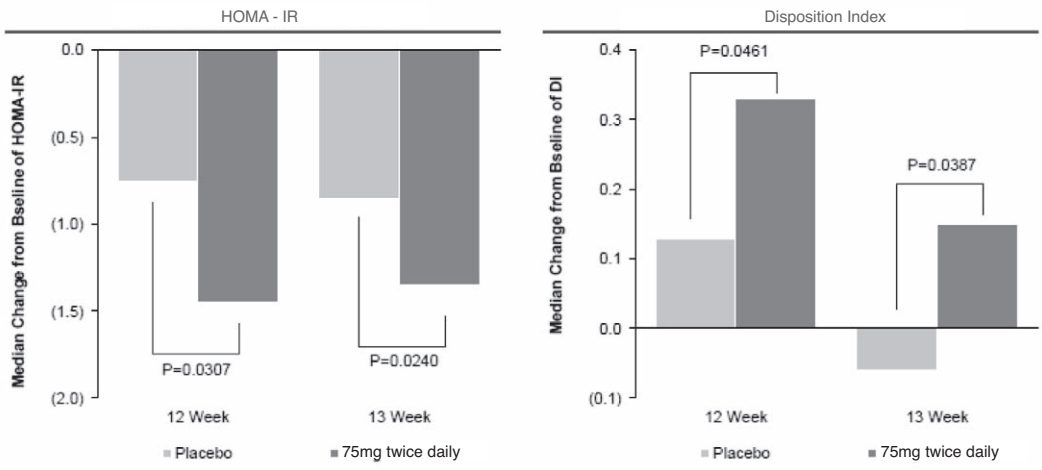
The composite response rate of Dorzagliatin in a 12-week treatment reached 35.4% in the 75 mg twice daily group and demonstrated its favorable profile in glucose reduction, as well as low risk of hypoglycemia and weight gain. The following diagram illustrates this result, as well as the result of certain other current Type 2 diabetes therapies. See "Industry" for more information.



Source: B. Zinman, W.E. Schmidt et al Diabetes, Obesity and Metabolism 14:77-82, 2012

Note: Dorzagliatin Phase II trial was conducted over 12 weeks, and the study comparison was conducted on 26 week clinical trials

The results also showed that patients who were treated with 75 mg twice daily dosage of Dorzagliatin for 12 weeks, achieved better glycemic control together with decreased HOMA-IR and increased glucose disposition index (DI), a comprehensive indicator of β-cell function. We also noted HOMA-IR and DI improvement at week 13, one week after the drug was withdrawn.



HOMA-IR: Homeostatic Model Assessment-Insulin Resistance; D1: disposition index;
Source: D. Zhu, S. Gan, et al. Lancet Diabetes Endocrinology

258 patients received at least one dose of study medication and were included in the safety analysis. The incidence of treatment-emergent adverse events was similar between the groups. Most treatment emergent adverse events were mild and considered unrelated to study medication by investigators. No deaths, drug-related serious adverse events, or drug-related severe adverse events were reported. One patient in the 50 mg twice daily group withdrew from the study because of a drug-related adverse event (eyelid edema). Level 1 hypoglycemia occurred in three (6%) of 53 patients in the 75 mg once daily group, in two (4%) of 50 patients in the 100 mg once daily group, in three (6%) of 51 patients in the 50 mg twice daily group, and in three (6%) of 51 patients in the 75 mg twice daily group; no patient in the placebo group had hypoglycemia. Only 1% of the total patients (2 patients) on drug were classified Level 2 clinically significant hypoglycemia (defined by the ADA as HbA1c levels at or below 3.0 mmol/liter) and 2% of the patients (1 patient) in the 75 mg twice daily cohort. Most cases of hypoglycemia were transient and occurred in drug-naive patients during early treatment (fewer than 8 weeks of treatment). No cases of level 3 severe hypoglycemia were reported, and no clinically significant abnormal trends were observed in hematological, urological, or clinical biochemistry parameters (e.g., liver function, renal function, and blood lipids). We did not observe elevation of alanine aminotransferase or aspartate aminotransferase in any of the groups. No adverse effect was noted on 12-lead electrocardiogram, physical examination, or vital signs (e.g., systolic and diastolic blood pressure).

A key objective of our Phase II trial was to monitor changes in the patient's lipid profiles in response to previous findings with Merck's dual acting, fully activated GKA, MK-0941. See "Industry — History of GKAs in Phase II Clinical Trials." From our Phase II trial, we found that Dorzagliatin did not have a clinically significant effect on triglyceride levels (up to 12 weeks). Activation of GK due to a genetic mutation can cause hyperinsulinemia and hypoglycemia, without a change in triglyceride levels, suggesting that GK activation is not the main cause of dyslipidemia associated

with MK-0941. Only two (MK-0941 and AZD-1656) of five dual-acting GKAs that have completed Phase II trials have shown triglyceride elevation, and these two drugs have very similar chemical structures. Therefore, triglyceride elevation might be associated with the chemical structures of GKAs and cause of Type 2 diabetes, rather than GK activation per se.

We found that Dorzagliatin was well tolerated in all treated groups during the 12-week treatment period, with no occurrence of drug-related serious adverse events or severe hypoglycemia. Most of the adverse events are frequently reported in clinical studies, and the incidence of adverse events was not significantly different between the placebo group and the Dorzagliatin-treated groups. The following table sets forth an overview of treatment-emergent adverse events (TEAE) from our Phase II trial. The patient numbers below reflect the number of patients that were randomized and administered one study dose, which includes patients that have later discontinued participation in the trials.

	Placebo (n=53)	75 mg once daily (n=53)	100 mg once daily (n=50)	50 mg twice daily (n=51)	75 mg twice daily (n=51)
Any AE	27(51%)	30(57%)	31(62%)	24(47%)	27(53%)
Mild AE	27(51%)	27(51%)	31(62%)	22(43%)	25(49%)
Moderate AE	2 (4%)	3 (6%)	2 (4%)	3 (6%)	3 (6%)
Severe AE	0	1 (2%)	0	1 (2%)	0
Any SAE	0	1 (2%)	1 (2%)	1 (2%)	0
Drug-related AE	1 (2%)	5 (9%)	6(12%)	6(12%)	3 (6%)
AE leading to drug discontinuation	0	1 (2%)	0	2 (4%)	0
Drug related	0	0	0	1 (2%)	0
Not drug related	0	1 (2%)	0	1 (2%)	0
AE occurring in ≥5% of patients in any group					
Upper respiratory tract infection	3 (6%)	6(11%)	6(12%)	1 (2%)	4 (8%)
Hyperuricaemia	2 (4%)	3 (6%)	6(12%)	3 (6%)	4 (8%)
Dizziness	0	2 (4%)	4 (8%)	4 (8%)	0
Protein present in urine	1 (2%)	3 (6%)	2 (4%)	0	2 (4%)
Urinary tract infection	3 (6%)	1 (2%)	3 (6%)	0	1 (2%)
Blood creatine phosphokinase increased	5 (9%)	0	1 (2%)	1 (2%)	1 (2%)
WBC urine positive	1 (2%)	1 (2%)	0	2 (4%)	3 (6%)
Hepatic function abnormal	1 (2%)	2 (4%)	1 (2%)	3 (6%)	0
HDL decreased	1 (2%)	1 (2%)	0	1 (2%)	4 (8%)
Ventricular extrasystole	0	0	1 (2%)	0	3 (6%)
Nasopharyngitis	0	0	1 (2%)	3 (6%)	0
Hypoglycaemia (≤3.9 mmol/L)	0	3 (6%)	2 (4%)	3 (6%)	3 (6%)
Hypoglycaemia (<3.0 mmol/L)	0	1 (2%)	0	0	1 (2%)

Data are n(%). AE=adverse event. SAE=serious adverse event. WBC=white blood cells. HDL = High-density Lipo protein

The following table sets forth an overview of other observations, not TEAE, from our Phase II trial.

	Placebo (n=53)	75 mg once daily (n=53)	100 mg once daily (n=50)	50 mg twice daily (n=51)	75 mg twice daily (n=51)
Body weight change (in kg)	-1.01	-0.73	-0.78	-0.94	-0.92
Triglyceride change (mmol/liter)	0.355	0.184	0.457	0.334	0.221

Drug-related AEs are AEs that the investigator judged as "Probably Related" or "Possibly Related" to the investigational drug, and where one patient was counted at most once per category but where onepatient may be counted in multiple categories. Possible drug-related AEs were mainly hypoglycemia (8 cases), dizziness (4 cases), platelet count reduction (4 cases) and hyperuricaemia (excess uric acid in the blood) (3 cases).

We also observed no changes in total cholesterol, or low-density lipoprotein, systolic blood pressure and diastolic blood pressure.

The following table sets forth the American Diabetes Association's criteria for hypoglycemia as stated in its Standards of Medical Care in Diabetes — 2018.

Level	Glycemic criteria	Description
Hypoglycemia alert value (level 1)	<3.9 mmol/liter	Sufficiently low for treatment with fast-acting carbohydrate and dose adjustment of glucose-lowering therapy
Clinically significant hypoglycemia (level 2)	<3.0 mmol/liter	Sufficiently low to indicate serious, clinically important hypoglycemia
Severe hypoglycemia (level 3)	No specific glucose threshold	Hypoglycemia associated with severe cognitive impairment requiring external assistance for recovery

We concluded that Dorzagliatin is a well-designed dual acting full GK activator, with demonstrated effective glycemic control and good safety profile in patients with Type 2 diabetes in China. We believe that Dorzagliatin demonstrated satisfactory clinical efficacy within the 12-week Phase II trial — a period of time that is scientifically logical in evaluating investigational drugs for diabetes given the primary endpoint is change in HbA1c levels from baseline as recommended by the U.S. FDA, the EMA and the CDA. We identified a MED of 75 mg twice daily to further advance Dorzagliatin into a Phase III trials as a monotherapy for the drug-naive and an add-on therapy for the metformin tolerated Type 2 diabetes patients in China. Our Phase II trial results were presented at the American Diabetes Association, 77th Scientific Session held in San Diego, California on June 9-13, 2017, and the results were also published in *The Lancet Diabetes and Endocrinology* on May 4, 2018. The Lancet's Impact Factor (a measure of an academic journal's yearly average number of citations that serves as a proxy for relative importanceof a journal in its field) of 19.742® ranks it the number one clinical research journal of diabetes and endocrinology.

Predictive Model Based on Phase I and Phase II Trial Results

Using the PK/PD results from our completed clinical trials, we developed a model that we expect will predict the reduction in HbA1c levels in Chinese Type 2 diabetes patients depending on the baseline of a particular patient's HbA1c level prior to drug administration, the dosage administered, and the period for which the drug is administered. For Type 2 diabetes patients with baseline HbA1c of 9.0% prior to drug administration who are administered 75 mg twice daily Dorzagliatin over a four-week period, our model predicts a reduction in HbA1c of 0.8%. Our Phase Ic trials indicated a reduction in HbA1c of 0.79% over a four-week period in Type 2 diabetes patients with a baseline HbA1c of 8.96%. For Type 2 diabetes patients with baseline HbA1c of 8.5% prior to drug administration who are administered 75 mg twice daily Dorzagliatin over a twelve-week period, our model predicts a reduction in HbA1c of 1.5%. Our Phase II trial indicated a reduction in HbA1c of 1.25% over a twelve-week period in Type 2 diabetes patients with a baseline HbA1c of 8.36%. For Type 2 diabetes patients with baseline HbA1c of 8.5% prior to drug administration who are administered 75 mg twice daily Dorzagliatin over a 16 to18-week period, our model predicts a reduction in HbA1c of 1.7%. We will conduct our current monotherapy Phase III trial in Type 2 diabetes patients with 75 mg BID Dorzagliatin over a 24-week period, and have an agreed primary endpoint of 0.4% in HbA1c from baseline.

HbA1c Baseline Model	Predicted Reduction	HbA1c Baseline Trial Average	Observed Reduction	Comments
9.0	0.8%	8.96%	0.79%	4 week on drug , Ph. Ic
8.5	1.5%	8.36%	1.25%	12 week on drug, Ph. II
8.5	1.7%			16-18 week on drug, Ph. III

Source: DY Liu, Y Zhang, L Chen, P Hu et al Clinical Pharmacokinetics, August 2017, 56, pp 925-939

Ongoing Phase III Trials

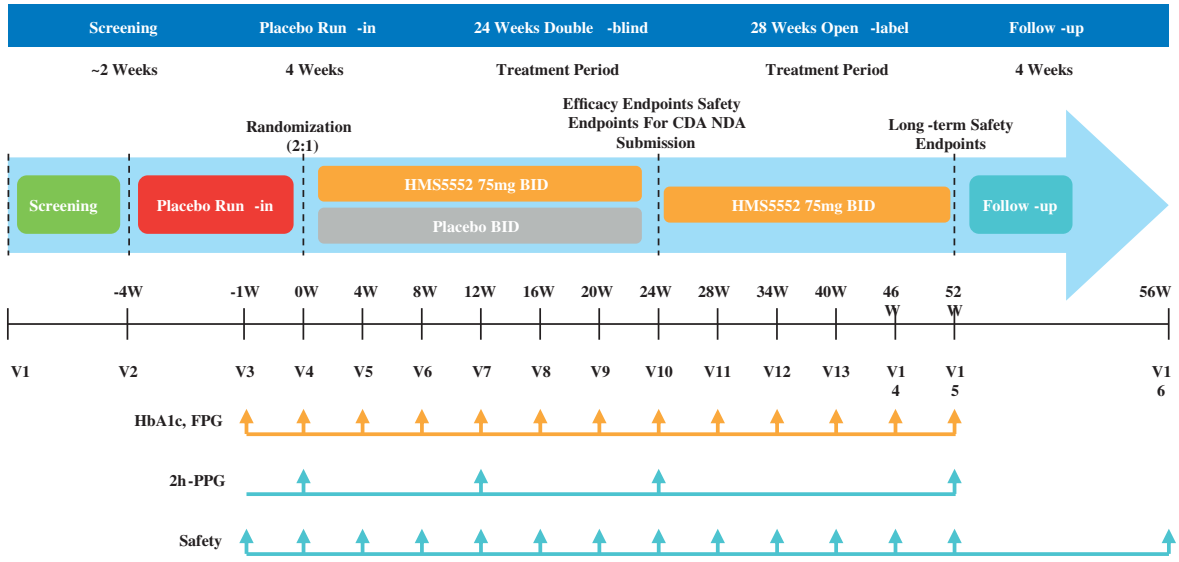
We are currently enrolling patients in China in our Phase III clinical trial for Dorzagliatin. Our Phase III trial consists of two 24-week trials with 75 mg twice daily dosage: (i) monotherapy in a planned 450 patient study and (ii) combination therapy with 1,500 mg per day of metformin in a planned 750 patient study. We selected 75 mg twice daily as the optimal dosage given expected efficacy in both drug-naive patients and patients already undergoing metformin treatment. The primary endpoint in both studies is greater than 0.4% reduction in HbA1c levels over placebo with a confidence level of 95% ($p<0.05$) (corresponding to the accepted efficacy standard for approval as a new drug to treat Type 2 diabetes). We expect to complete patient enrollment in both studies by the first half of 2019 and to announce Phase III results in the second half of 2019.

Our Phase III clinical trial involves enrolling and randomizing approximately 1,200 patients at 110 clinical sites distributed broadly across China with one principal investigator operating at each site supported by one or two sub-principal investigators and one study nurse per site. Together with our CROs, we organized training sessions for these principal investigators and their support teams. These training sessions were led by Drs. Wenying Yang and Dalong Zhu. Drs. Yang and Zhu are both KOLs in the diabetes field in China and serve as our leading PIs for the monotherapy and combination trials respectively. Of our two Phase III trials, Dr. Zhu leads the monotherapy Phase III trial and operates out of the Nanjing Drum Tower Hospital, the Affiliated Hospital of Nanjing University Medical School, and Dr. Yang leads the combination Phase III trial and operates out of the China-Japan Friendship Hospital in Beijing.

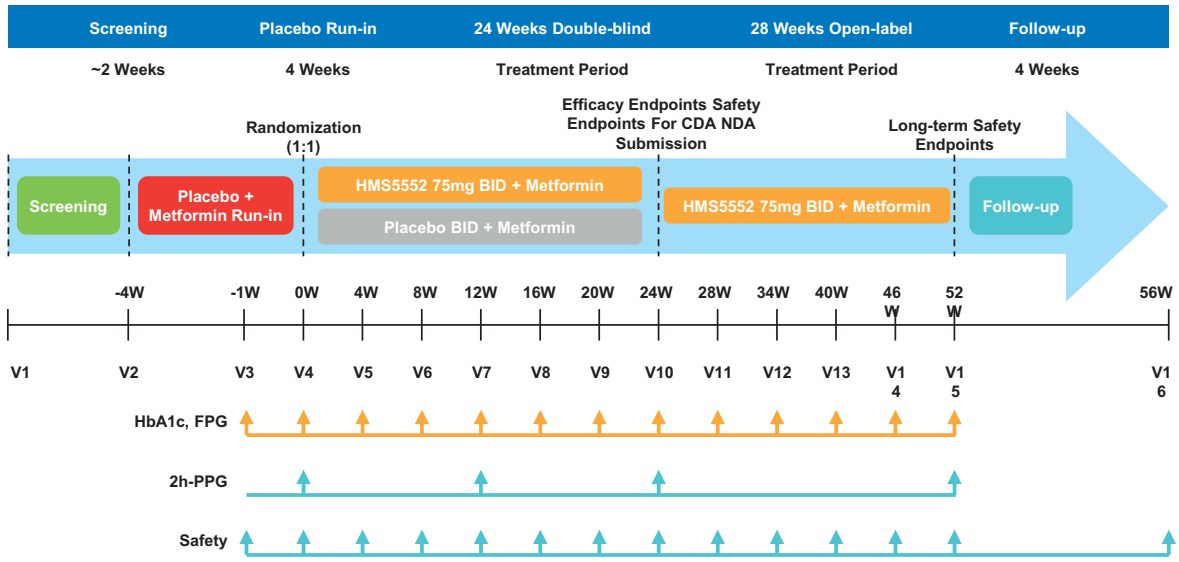
The enrollment process involves screening Type 2 diabetic for patients that have stable baseline Type 2 diabetes biomarkers (specifically HbA1c) at the time of entering into the trial and are likely to comply with medication protocol throughout the trial. As a result, our major exclusion criteria include excluding diabetic subjects with the following accompanying unstable diseases and stable diseases: major cardio-cerebrovascular diseases within six months before screening; unstable or rapidly progressive kidney disease; active liver diseases; mental diseases; hemoglobinopathy, including sickle cell anemia, thalassemia, or sideroblastic anemia that may affect HbA1c levels; compromised immunity related disease (including as a result of organ transplant or human immunodeficiency virus); any type of malignant tumor (whether or not in remission); any disease of the endocrine system that affects blood glucose levels (including hyperthyroidism, acromegaly or Cushing's syndrome); immune system diseases that are unstable and require medical intervention; and uncontrolled hypertension.

We have determined that the population of Type 2 diabetics without these accompanying disease conditions is important to control the quality of our Phase III trials, and will provide clearly defined indications in the Dorzagliatin label, if approved. These exclusions are commonly seen in other first-in class diabete drug trials. Such indications supported by the monotherapy and combination therapy with metformin add-on trials will cover a large portion of the Type 2 diabetes patient population initially, and additional indications for other Type 2 diabetes patients, including those patients excluded in these trials, will be established through additional clinical trials as we have already planned. As of June 30, 2018 (the latest practicable date), we had enrolled and randomized a total of 305 patients in our Phase III trial, 174 patients in our monotherapy trial and 131 patients in our combination trial.

Following patient screening, we intend to start patients in the monotherapy test on placebo with metformin for four weeks, followed by 24 weeks of drug or placebo. After 24 weeks on drug, the patients will be evaluated and the time period for our primary endpoint for both of our Phase III trials will be reached. At this point, the trial will be unblinded and all patients will be on Dorzagliatin for 28 weeks with a four-week follow up thereafter. During the course of the placebo run-in and treatment period, HbA1c and two-hour PPG will be periodically monitored. In addition, safety monitoring will take place during the placebo run-in up to the end of the follow up period. The combination therapy trial would be the same, except for the addition of metformin at the placebo run-in phase and during the treatment period. The design and timeline of our two Phase III trials are illustrated below.



Primary endpoint of HbA1c reduction of 0.4% over placebo, p-value < 0.05

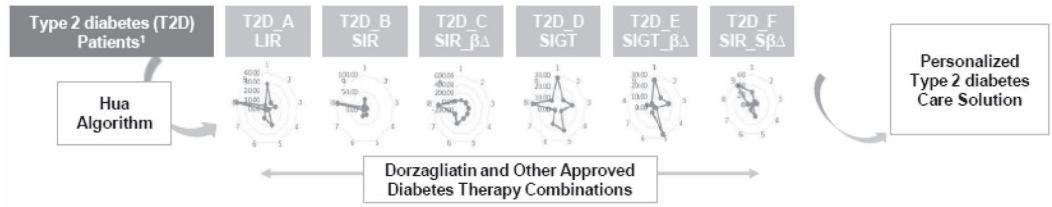


Primary endpoint of HbA1c reduction of 0.4% over placebo, p-value < 0.05

We anticipate that the time required to analyze the data collected from our Phase III trial could take up to three months, which we expect would allow us to complete our Phase III trial by the second half of 2019.

Personalized Type 2 Diabetes Medicine: A Comprehensive Solution for Diabetes Patients

Our proprietary algorithm uses nine clinically validated biomarkers such as body-mass index (BMI), cholesterol, and other biomarkers derived from frequently administered tests in the diagnosis and treatment of diabetes to classify diabetes patients into six different subtypes: low insulin resistance (LIR), severe insulin resistance (SIR), SIR with diminished β-cell function (SIR_βΔ), severe impaired glucose intolerance (SIGT), SIGT with diminished β-cell function (SIGT_βΔ), and IR with severely diminished β-cell function (SIR_SβΔ). We believe our proprietary algorithm and resulting classification of Type 2 diabetics will allow physicians to provide tailored prescriptions (potentially involving Dorzagliatin as monotherapy or in combination with other approved antidiabetic drugs) that then result in better efficacy, improved safety, and reduced complications. We believe our portfolio development and product development plans will benefit from this approach, which we believe will lead to a solution for comprehensive diabetic cure.



mGLUR5 Program

Applying our expertise with allosteric modulation, we are developing an mGLUR5 negative allosteric modulator (NAM) for the treatment of Parkinson's disease levodopa-induced dyskinesia, or PD-LID). We have generated multiple novel proprietary mGLUR5 NAMs which have undergone extensive testing both in vitro and in vivo. Our lead candidates have demonstrated outstanding functional potency and selectivity, favorable ADME properties, desirable pharmacokinetics and safety profiles. Furthermore, they also demonstrated outstanding preclinical efficacy and tolerability in several animal models of PD-LID and other central nervous system (CNS) disorders, such as Fragile X Syndrome (FXS), after oral administration, implying outstanding bioavailability and CNS penetration, with sufficient receptor occupancy and target engagement. For example, our first generation mGLUR5 NAM has been successfully tested in a highly relevant nonclinical proof-of-concept FXS mouse model and demonstrated robust efficacy. We are currently conducting several additional non-clinical studies with our lead candidates and we plan to commence Phase I clinical trials in PD-LID in the second half of 2019. For a further discussion of PD-LID, see "Industry Overview — PD-LID Market Overview."

Quality Control and Assurance

We have established a qualified and experienced quality assurance team that is responsible for ensuring that we maintain compliance with all applicable regulations, standards, protocols, and internal policies. Our senior management team is actively involved in setting quality policies as well as managing our internal and external quality performance. As of March 31, 2018, our quality assurance team consisted of six dedicated employees, of whom three held master's or higher degrees.

The overall quality management of both our preclinical and clinical trials includes complying with good laboratory practices, or GLP, good clinical practices, or GCP, and the applicable regulatory requirements in the performance of the trials, as well as documenting and reporting the data generated. This includes:

- quality risk management at both site and trial levels;
- quality assurance guidance, support, issue management and site and vendor audit for vendor audits; and
- regulatory inspection readiness.

We have also developed and maintain an advanced quality management system for compliance with the requirements for our MAH status, and we have established a system for the governance and monitoring of vendor quality performance and quality initiatives that include CMOs, CROs and SMOs. This includes a governance model involving both senior management and the quality assurance team as well as joint quality committees we establish with our vendors to provide oversight and review quality metrics and performance. We also manage the quality of investigational medicinal product manufacturing, packaging, and distribution to comply with good manufacturing practice, or GMP, and good supply practice, or GSP. This includes:

- process control;
- management of issues, changes, complaints, corrective and preventative actions and validation; and
- batch quality assessment and release.

We have established a two-level internal quality governance model to facilitate transparent communication of information and issues to management throughout our organization. This includes both an independent Quality Assurance Department, or QAD, and a Quality and Safety Committee, or QSC.

The QAD is the primary quality management unit headed by Yilei Fu that is responsible for regular quality issue management. QAD areas of focus include overall quality management of pre-clinical operations, clinical operations and investigational medicinal product manufacturing, as well as establishing, maintaining and implementing a robust quality management system. The QAD also handles third party quality management and issues. The QSC is higher level quality governance

unit composed of a cross-functional senior management team within our organization. The QSC serves as decision-making body to facilitate compliance with established quality and compliance standards. Issues that cannot be resolved at the departmental level are escalated to the QSC. The QSC meets on a bi-weekly basis, chaired by Head of Quality and supported by our CEO.

Vendors form an integral component of our business strategy. Accordingly, we have established a comprehensive, risk-based approach to managing vendors from the initial selection and qualification, on-going monitoring/governance, regular audit and phase-out (if necessary). We apply this approach to all good practice vendors, such as CROs, SMOs, CMOs, central labs and analytical service providers. We perform periodic vendor performance reviews with involvement of relevant departments (such as pre-clinical research, clinical research and development and clinical operations) to evaluate vendor performance and facilitate our oversight.

To facilitate the resolution of any disagreements between us and our vendor, and to detect and address critical issues that may arise during the course of our vendor relationships, we have established a Joint Quality Council, or JQC. The JQC is composed of representatives from both our and our vendors' quality assurance team, comprised of a co-chair selected by party and selected personnel from our vendor's and our operational functions. The JQC is responsible for fostering appropriate communication with our vendors with respect to quality and compliance. The JQC also facilitates quality, compliance, continuous quality improvement and quality risk management with our vendors. Efforts to do so include a review and assessment of quality metrics, provision of expert guidance and advice, and strategic planning and execution of oversight and verification activities. These verification activities include internal audits, inspection readiness activities and investigation and management of incidents of potential or actual noncompliance.

We have assurance agreements establishing quality standards with each our CROs, SMOs and CMOs setting out our respective responsibilities and obligations to meet specific good practice quality guidelines and activities. As an MAH holder, however, we are obliged to take full responsibility for quality and safety through the product life cycle, and we are ultimately responsible for all quality and regulatory compliance matters as they directly or indirectly relate to our projects and products.

Our Service Providers and Suppliers

Our research organization, including our service providers and suppliers, is located in China. There, an extensive network of qualified, and increasingly global CROs, CMOs, and SMOs has developed and continues to do so. These outside providers undergo a comprehensive selection, supervision and training process and provide us with a range of services such as drug discovery, development, clinical trial expertise, and clinical and commercial manufacturing that we can use on demand, helping us to manage costs. In addition, our employees oversee our suppliers' staff members globally to advance our research and development efforts. Our service providers and suppliers include:

Clinical Trial Management

- **Covance Pharmaceutical R&D (Beijing) Co., Ltd. Shanghai Branch** - CRO in clinical services for Phase III — Metformin Add-on;

- **WuXi Clinical Development Services (Shanghai) Co., Ltd.** - CRO in clinical services for Phase III — Monotherapy Efficacy and Phase I trials;

- **Shanghai MedKey Med-Tech Development Co., Ltd.** - SMO in clinical services;

- **Covance Pharmaceutical Research and Development (Shanghai) Co., Ltd.** — the central lab for Phase III trials;

- **CCBR Clinical Research (Tianjin) Co., Ltd.** - SMO in the clinical services for Phase III — Metformin Add-on; and

- **Hangzhou TigerMed Consulting Co., Ltd.** — CRO in clinical services for Phase II & Phase III — Monotherapy Efficacy.

Manufacturing

CMOs are contract manufacturing organizations. They are third parties that we contract with to manufacture active pharmaceutical ingredients ("APIs") and oral formulations.

- **Shanghai SynTheAll Pharmaceuticals Co., Ltd.** (STA) - CMO as API supplier for clinical trials; and

- **Shanghai Desano Pharmaceuticals Co., Ltd.** (Desano) - CMO as drug product (DP) supplier for Phase III clinical trials and commercial.

Other

- **Shanghai SynTheAll Pharmaceuticals R&D Co., Ltd.** - Process development and analytical support;

- **WuXi AppTec (Shanghai) Co., Ltd.** - analytical support, and CMO as DP supplier for Phase I and Phase II clinical trials and spray dried dispersion for the clinical trials; and

- **Envigo CRS Ltd** - CRO for non-clinical drug safety.

In particular, the CFDA granted us a MAH certification, which allows us, as a drug license holder, to use qualified contract manufacturing service providers in China. We are currently partnering with STA and Desano on the potential commercial manufacture of Dorzagliatin. For a summary of risks related to scaling up our manufacturing capability, see "Risk Factors—Risks related to the successful development, regulatory approval and commercialization of Dorzagliatin in China—We intend to continue to rely on third-party CMOs to produce Dorzagliatin both for our Phase III clinical trials and for commercial production requirements for the foreseeable future. If we experience problems with our CMOs, the manufacturing of Dorzagliatin could be delayed and our efforts to market Dorzagliatin compromised."

Our vendor selection process requires competitive bids from at least two service providers, suppliers or partners for any and all purchases, outsourced services, and research collaborations. The vendor assessment criteria include ability, reputation, quality, price, and business scope. Written explanations must be provided for any exceptions to the bidding process. We also utilize a quality assurance team in the vendor selection process for clinical trials. For contracts that are either not our own forms, or are on our forms with modified terms, we require review by legal counsel if the value of the contract exceeds RMB200,000.

We generally enter into legally-binding long-term clinical service contracts and manufacturing agreements using substantially the same form of contract with our clinical service providers and manufacturers, which typically have terms ranging from two to five years. For obtaining clinical services or manufacturing services under a long-term clinical service contract or a manufacturing agreement, we typically agree on the material terms with the clinical service provider and manufacturer by entering into a master services agreement, and send a separate work order with specific terms such as service fees, payment schedules, and quantity and delivery requirements for each order. Payment schedules for CROs are typically tied to clinical site milestones such as the enrollment of a certain percentage of patients, the enrollment of all patients, the conclusion of the trial and the finalizations of the data. Given that we have long-term manufacturing agreements in place with a majority of our key manufacturers and that we ensure that at any time we have agreements in place with more than one manufacturer, we believe our manufacturing arrangements enable us to largely manage fluctuations of manufacturing prices and supply. Our manufacturers and clinical service providers typically extend to us credit terms ranging between 10 days and 30 days.

In addition, each party under our material long-term clinical service contracts and manufacturing agreements generally has the right to terminate the agreement or a work order under the long-term clinical service contract or manufacturing agreement immediately upon notice to the other party if a material breach by the other party is not curable or remains uncured for a period of time (ranging from 10 days to 60 days) after notice of the material breach is received by the other party. We also typically have the right to terminate a long-term clinical service contract and manufacturing agreement or a work order without cause with prior written notice (ranging from 60 to 90 days) to the clinical service provider or manufacturer, as applicable. In addition, both Tigermed and Covance have the right to terminate without cause on 60 days' prior notice.

We retain ownership of all intellectual property associated with our clinical trials and the intellectual property arising from the services provided to us by our service providers and suppliers.

The following tables set forth information with respect to our top five suppliers for the periods indicated:

Vendor Name	Year relationship began	Year ended December 31, 2016
		RMB'000
Wuxi AppTec Group	2011	25,350
Envigo CRS Ltd.	2015	7,711
Hangzhou Tigermed Consulting Co., Ltd.	2010	6,937
Hoffmann-La Roche Inc.	2011	2,590
Shanghai Desano Bio-Pharmaceutical Co., Ltd.	2016	1,132
Total amount from top five suppliers		43,720

Vendor Name	Year relationship began	Year ended December 31, 2017
		RMB'000
Wuxi AppTec Group	2011	29,994
Covance INC.	2017	11,109
Envigo CRS Ltd.	2015	7,662
Hoffmann-La Roche INC.	2011	6,757
Hangzhou Tigermed Consulting Co., Ltd.	2010	6,081
Total amount from top five suppliers		61,603

Vendor Name	Year relationship began	Three months ended March 31, 2018
		RMB'000
Wuxi AppTec Group	2011	8,398
Covance INC.	2017	6,636
O'Melveny & Myers LLP	2009	5,943
Hangzhou Tigermed Consulting Co., Ltd.	2010	5,494
Shearman&Sterling	2018	2,612
Total amount from top five suppliers		29,083

Covance INC. includes Covance Pharmaceutical (Shanghai) Co., Ltd and Covance Pharmaceutical R&D (Beijing) Co., Ltd. Shanghai Branch.

Wuxi App Tec Group includes Shanghai SynTheAll Pharmaceuticals Co., Ltd., Shanghai STA Pharmaceutical R&D Co., Ltd., Shanghai MedKey Med-Tech Development Co., Ltd., WuXi Clinical Development Services (Shanghai) Co., Ltd., WuXi AppTec (Su Zhou) Co., Ltd., WuXi AppTec (Shanghai) Co., Ltd., Xeno Biotic Laboratories Inc., Wuxi AppTec (Tianjin) Co., Ltd. and HD Biosciences Co., Ltd.

For the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 purchases from our five largest vendors amounted to RMB43.7 million, RMB61.6 million and RMB29.1 million, respectively accounting for 61.1%, 54.7% and 60.9% of our total purchase amounts. Purchases from our largest vendor amounted to RMB25.4 million, RMB30.0 million and RMB8.4 million respectively for the same periods accounting for 35.4%, 26.6% and 17.6% of our total purchase amounts.

Each entity in the Wuxi AppTec Group mentioned above is a connected person of the Company. For details, please see the "Connected Transactions" section in this prospectus. Save as disclosed above, all other top five suppliers during the Track Record Period are Independent Third Parties. We do not make material purchases of raw materials or equipment.

Overview of our License Arrangements

Roche Research, Development and Commercialization Agreement

We have entered into a research, development and commercialization agreement with Hoffmann-La Roche Inc. and F. Hoffmann-La Roche Ltd., or collectively, Roche in December 2011, under which we obtained an exclusive license under certain patents and know-how owned by Roche to develop, make, commission, use, sell, offer for sale, export and import Roche's proprietary GKA, RO5305552 (now referred to as Dorzagliatin or HMS5552), worldwide in the licensed field of treatment of diabetes. The key U.S. patent licensed from Roche (U.S. 7,741,327) recites claims to compounds and pharmaceutical compositions thereof, and has an expiration date of March 9, 2029. We have the right to sublicense our rights to third parties. In addition, Roche granted us a covenant not to sue under non-licensed patents owned by Roche or its affiliates (except Genentech) to the extent that the making, using, selling or importing of licensed products in the licensed field and territory would infringe a claim of such non-licensed patent. For details of the nature of patents we have licensed, see "— Patents and Other Intellectual Property — Patents" below.

We are obligated to use commercially reasonable efforts to develop and commercialize the licensed products in our licensed field and licensed territory. We also have the right to enforce the licensed patents and know-how against third parties that infringe or misappropriate such rights in a manner that is or can reasonably be expected to be competitive with a licensed product if Roche does not pursue a claim against such third party.

Under our agreement with Roche, we are required to make various upfront, milestone and royalty payments. We made an initial US$2.0 million upfront payment in March 2012 with an additional US$1.0 million milestone payment in August 2017 (when we began Phase III clinical trials in China). We are required to make additional milestone payments upon NDA filing and approval in certain countries or regions which may total up to US$37.0 million. Following commercialization, we could be required to make additional milestone payments of up to US$55.0 million upon reaching certain yearly net sales thresholds. We are also obligated to make royalty payments at rates in the high single digits, unless reduced under certain circumstances, on the worldwide net sales (gross sales less certain expenses such as shipping costs, taxes, quantity discounts and allowances) of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed products, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. Except for disputes relating to patents, which would be litigated in the law courts of the relevant jurisdictions relating to such patents, any dispute under the Roche license that cannot be resolved within 60 days must be submitted to arbitration in New York under the Commercial Arbitration Rules of the American Arbitration Association.

The agreement with Roche will remain in effect until the expiration of our obligation to pay royalties to Roche and may be terminated earlier by either party for the other party's uncured material breach, or by Roche for our discontinuance of development and commercialization of the licensed products on a country-by-country basis. In addition, we have the right to terminate the agreement for convenience upon advance notice to Roche. Upon early termination by Roche for any reason or if we terminate for convenience, we grant Roche the right to negotiate a license under certain of our intellectual property to develop and commercialize licensed products in the terminated territory, and we agree not to sell any licensed products in such territories for a period of three years after the date of termination.

Competition

The development and commercialization of new drugs is highly competitive. There are a large number of companies developing or marketing treatments for Type 2 diabetes including many major pharmaceutical and biotechnology companies. We face competition with respect to our GKA, Dorzagliatin (including any related combinational therapy), both from established Type 2 diabetes therapies such as metformin (which is generally well-tolerated, developed over 60 years ago and is relatively inexpensive) and from a number of large pharmaceutical and biotechnology companies that are pursuing new Type 2 diabetes therapies (including GK compounds). We believe we are the only GK compound that has entered Phase III clinical trials in the world. However, we believe a number of firms are seeking to advance their own GK therapy. In China, Suzhou Pegbio and Yabao have rights to develop GK compounds. Suzhou Pegbio in-licensed its GK compound from Pfizer in 2016 and has not initiated clinical trials in China. Yabao in-licensed its GK compound from Eli Lilly and is currently in Phase I trials for its GK compound in China. Outside of China, we believe there are certain companies advancing their own GKA, including Teijin Pharma and vTv Therapeutics.

Patents and Other Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection for Dorzagliatin and our core technologies and other know-how to operate without infringing, misappropriating or otherwise violating the proprietary or intellectual property rights of others and to prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights. We protect our proprietary and intellectual property position by, among other methods, licensing from third parties or filing our own U.S., international and foreign patent applications related to our proprietary technology, inventions, and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position, which we generally seek to protect through contractual obligations with third parties. For a list of our patents, please see section headed "Statutory and General Information — B. Further Information About the Business of the Company — 2. Our Material Intellectual Property Rights" in Appendix IV of this prospectus.

We believe that we 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 material intellectual property disputes or encountered major difficulties in enforcing our intellectual property rights.

Patents

Patents, patent applications and other intellectual property rights are important in the sector in which we operate. We consider filing patent applications on a case-by-case basis with a view to protecting certain innovative products, processes, and methods of treatment. We may also license or acquire rights to patents, patent applications or other intellectual property rights owned by third parties, academic partners or commercial companies which are of interest to us. The key U.S. patent licensed from Roche (U.S. 7,741,327) recites claims to compounds and pharmaceutical compositions thereof, and has an expiration date of March 9, 2029.

Glucokinase Activators (GKA), including compound HMS5552

We have an exclusive license to GKA-related patents, which includes compound patent claims for composition of matter that we licensed from Roche in December 2011. This includes granted patents in multiple jurisdictions including the U.S. (U.S. 7,741,327), China, Europe and Japan. This patent family is projected to expire no earlier than 2029.

Process (method of making compounds)

Hua became the owner of a Patent Cooperation Treaty, or PCT, application covering the process for preparing compounds through assignment from Roche in June 2015, and filed national applications in 2015. Hua was granted patents in multiple jurisdictions including the U.S. (U.S. 9,388,168), Europe, and China. This patent family is projected to expire no earlier than 2033.

Oral Formulations

We have filed patents for oral formulations, but none have been granted as of the date of this prospectus. We have pending applications for this patent family in China and Taiwan, and a PCT application filed in 2017. This patent family is projected to expire no earlier than 2037.

Metabotropic Glutamate Receptors (mGLUR) which are negative allosteric modulators (NAM)

We own composition of matter patents relating to mGLUR, which include several patent families. As of the date of this prospectus, there are no granted patents. We own pending patent applications in China and Taiwan, filed in 2016 for Pyrrolidine derivatives and several international PCT applications for Pyrrolidine, Pyrazole, and Pyrrole derivatives filed in 2016. This patent family is projected to expire no earlier than in 2035. We also have a pending patent application in China (201380073290), which is projected to expire no earlier than 2033. As of the date of this prospectus, there are no granted patents in any of these patent families.

AMP-activated Protein Kinase (AMPK)

We own two patent families related to AMPK covering tetrahydroquinoline derivative compounds, which were assigned to us from Roche under a patent assignment agreement dated September 1, 2016. In particular, this includes the composition of matter patents for "Tetrahydroquinoline Derivatives", for which patents were granted in multiple jurisdictions including the U.S. (U.S. 8,546,427), Europe, and Japan. This patent family is projected to expire no earlier than 2031. This also includes composition of matter patents for "3,3-dimethyl Tetrahydroquinoline Derivatives" (WO2011128251), for which patents were granted in multiple jurisdictions including the U.S. (U.S. 8,344,137 and 8,586,747), Europe, and China. This patent family is projected to expire no earlier than 2031. Under the assignment agreement, we paid Roche a total fee of US$390,000 and also reimbursed Roche for patent maintenance and annuity fees it incurred until we could perfect our assignment rights with the appropriate patent offices and assume sole responsibility for the prosecution and maintenance of such patents.

We conducted various non-clinical studies surrounding the viability of AMPK as a target in the area of metabolic diseases, for which the AMPK-related patents would provide intellectual property protection. Those studies have yielded some insights into AMPK and its potential applicability to Type 2 diabetes, which we may pursue in the future. These studies do not affect the progress of our studies or trials currently reflected in our product pipeline.

As with other biotechnology and pharmaceutical companies, our ability to maintain and solidify our proprietary and intellectual property position for Dorzagliatin and technologies will depend on our success in obtaining effective patent claims and enforcing those claims if granted. However, our pending patent applications, and any patent applications that we may in the future file or license from third parties may not result in the issuance of patents. We also cannot predict the breadth of claims that may be allowed or enforced in our patents. Any issued patents that we may receive or license from third parties in the future may be challenged, invalidated or circumvented. For example, we cannot be certain of the priority of our patents and patent applications over third-party patents and patent applications. In addition, because of the extensive time required for clinical development and

regulatory review of Dorzagliatin, it is possible that, before Dorzagliatin can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby limiting the protection such patent would afford the respective product and any competitive advantage such patent may provide. For more information regarding the risks related to our intellectual property, please see "Risk factors—Risks related to intellectual property."

Patent Term

The term of a patent depends upon the laws of the country in which it is issued. In most jurisdictions, a patent term is 20 years from the earliest filing date of a non-provisional patent application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to inventions are effective for twenty years, and utility models and designs are effective for ten years from the date of application. There are no patent term adjustments or patent term extensions available in the PRC for issued patents.

Trade Secrets

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. We seek to protect our proprietary information, in part, by executing confidentiality agreements with our partners, collaborators, scientific advisors, employees, consultants and other third parties, as well as invention assignment agreements with our consultants and employees. We have also executed agreements with selected scientific advisors and collaborators requiring assignment of inventions to us. The confidentiality agreements we enter into are designed to protect our proprietary information, and the agreements or clauses requiring assignment of inventions to us are designed to grant us ownership of technologies that are developed through our relationship with the respective counterparty. For information regarding the risks related to our trade secrets, please see "Risk factors—Risks related to intellectual property—If we are unable to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed."

Manufacturing

Our manufacturing team, consisting of 10 experienced individuals with relevant experience, is responsible for ensuring that our manufacturing needs are met in compliance with GMP. We currently do not own our own manufacturing capabilities. Instead, the CFDA has granted us a MAH certification for Dorzagliatin, which allows us, as a drug license holder, to use a qualified CMO to meet our manufacturing needs, including APIs and oral formulations.

Our manufacturing team works closely with and actively supervises our CMOs to ensure that our non-clinical and clinical manufacturing needs continue to be met. We presently rely primarily on STA for APIs and Desano for oral formulations to manufacture sufficient quantities of Dorzagliatin for our clinical trials. Pursuant to CDFA guidelines, the processes used for manufacturing during our Phase III clinical trials must be the same as those used at the commercialization stage. If we can obtain

favorable Phase III results, we expect in the first 12 months following commercialization that we would need to produce approximately five metric tons of APIs, and in the following 12 months we would need to produce approximately 10 to 12 metric tons of APIs. At full commercialization, we expect we would need to produce approximately 530 metric tons of APIs per year.

Our manufacturing team has a long term plan to establish and expand manufacturing capacity stepwise to provide timely support to meet the expected future market demand. Currently we are working together with our primary CMOs, STA and Desano, to demonstrate the readiness for NDA submission and commercial manufacturing. The combined current manufacturing capacity at these CMOs can meet anticipated capacity requirements for the first two years after product launch. We are also currently discussing potential capacity expansion plans with our current CMOs to meet anticipated future increased capacity demand. During these negotiations and prior to any such expansion, we do not anticipate significant difficulties in securing manufacturing capacity from other qualified CMOs to meet our needs. We also plan (after receiving positive Phase III data) to begin developing our own Dorzagliatin manufacturing capabilities. Required funding is expected to come from either ordinary share issuances or non-dilutive, cash upfront payments from one or more international partners seeking to commercialize Dorzagliatin internationally. Even after developing our own manufacturing capabilities, we will continue use CMOs to ensure sufficient manufacturing capacity. We are also actively working with CMOs such as Jiuzhou Pharma on becoming another manufacturer of APIs for Dorzagliatin upon full commercialization. Zhejiang Jiuzhou Pharmaceutical Co., Ltd. (Jiuzhou Pharma) is a publicly listed company (Stock code 603456) in China, providing custom development and manufacturing service of active pharmaceutical ingredients, or APIs, and intermediates. Jiuzhou Pharma's clients include multinational pharmaceutical companies such as Novartis, Roche, and Gilead. In addition to large scale commercial manufacturing capacity, Jiuzhou Pharma has established an experienced quality management system, which has obtained CDA GMP certification, and has passed cGMP inspection by other regulatory agencies such as the U.S. FDA, EMA, PMDA, ANVISA, and the Australia TGA. Their Environmental Health and Safety certifications include ISO14001 and OSHAS18000. See "Risk Factors — Risks related to the successful development, regulatory approval and commercialization of Dorzagliatin in China — We intend to continue to rely on third-party CMOs to produce Dorzagliatin both for our Phase III clinical trials and for commercial production requirements for the foreseeable future. If we experience problems with our CMOs, the manufacturing of Dorzagliatin could be delayed and our efforts to market Dorzagliatin compromised."

Portfolio Advisory Board

Our portfolio advisory board (PAB) assists us in evaluating potential areas of drug development focus and potential drug candidates. Members include former senior executives of international pharmaceutical companies, and professors from leading academic institutions in the life sciences sector. We compensate PAB members for their service. Each of our PAB members previously received option grants to acquire in total between 900,000 to 1,200,000 Shares and in May 2018 were granted options to acquire an additional 225,000 Shares in connection with their agreement to extend their service term for a period of 2 years, along with annual cash compensation of US$50,000 each for the PAB members.

Insurance

We maintain clinical trial liability insurance for all of our Phase I, Phase II and Phase III clinical trials in the PRC (excluding Hong Kong, Macau and Taiwan). We also maintain, automotive liability, and corporate liability insurance for our senior officers, directors and supervisors. Our Directors consider that our existing insurance cover is sufficient for our present operations and is in line with industry practice in the PRC.

Properties

We are headquartered in Shanghai where we have our main administrative office, which is approximately 1,438 square meters in size. We also have an office in Beijing of approximately 237 square meters and an office in Wuhan of approximately 298 square metres. We do not own any real property for our operations. The leases for these facilities will expire in 2019, 2020 and 2021, respectively. We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

The following table sets forth a summary of the properties leased by us as of the Latest Practicable Date:

Location	Type of Property	Gross Floor Area	Lease Term	Expiry Dates
		approximate (sq.m.)		
Shanghai	Office	692	96 months	April 19, 2019
Shanghai	Office	514	36 months	June 30, 2019
Shanghai	Office	76	24 months	August 31, 2019
Shanghai	Office	156	24 months	February 29, 2020
Beijing	Office	237	36 months	March 14, 2020
Wuhan	Office	298	36 months	May 15, 2021
Hong Kong	Office	138	24 months	July 31, 2020

As of the Latest Practicable Date, our landlords had obtained the relevant building ownership certificates for all of our leased properties in the PRC, except for one property in Shanghai that we use for office space for which we had not been provided with valid title certificate. Our Directors confirm this property is not material to our business. Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the relevant municipal land and real estate administration department. We have not obtained lease registration for that one property in Shanghai, primarily due to lack of valid title certificate and the difficulty of procuring our landlord's cooperation to register that lease. Our PRC Legal Adviser has advised us that the lack of registration will not affect the validity of our lease agreement under PRC laws, and a maximum penalty of RMB10,000 may be imposed as a result of non-registration of such lease.

According to Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong) and Chapter 5 of the Listing Rules, this prospectus 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 of our interests in land and in buildings, for the reason that, as of December 31, 2017, we had no property interest with a carrying amount of 15% or more of our total assets.

Employees

As of June 30, 2018, our employment headcount increased by 15 from 75 employees as of December 31, 2017. Of 90 employees as of 2018, 63 were scientists. Of our 63 scientists, 28 had a master's degree and 18 had a doctorate degree (Ph.D., M.D., or comparable degree). On average, our scientists have 12 years of experience in the life sciences industry. All 63 of our scientists are involved in new drug development, as defined by the FDA, including, 12 in Clinical Operations, 12 in Chemistry Manufacturing, 15 in Clinical Research & Development, 10 in Nonclinical Drug Safety & Pharmacology, 6 in Quality Assurance, 7 in Regulatory, Clinical Safety & Manufacturing, and Pharmacovigilance, and our Chief Scientific Officer, Dr. Li Chen. None of our employees is represented by labor unions or covered by collective bargaining agreements. All of our employees are based in China. The following table shows a breakdown of our employees by function as of June 30, 2018:

	Number of employees	% of total
Research and development	57	63%
General and administration	26	29%
Management	7	7%
Total	90	100%

We recruit our employees through recruitment websites. We enter into individual employment contracts with our employees to cover matters such as wages, benefits, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies.

In accordance with applicable regulations in the PRC, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan and a personal injury insurance plan for our employees. We have made adequate provisions in accordance with applicable regulations. Additionally, in accordance with PRC regulations, we make annual contributions towards a housing fund, a supplemental medical insurance fund and a maternity fund.

To retain our key management and technical staff, we offer competitive compensation and an employee stock option plan, subject to four year vesting. We also require our staff to sign standard confidentiality and non-solicitation agreements.

Our employment agreement with Dr. Li Chen includes equity incentives comprising a grant of restricted shares and stock options. Dr. Chen may voluntarily resign from the Company upon 30 days' notice and is entitled to severance payments if certain conditions are met, including (i) assignment by the board to a significantly lower position, (ii) a material decrease in compensation, and (iii) any material breach by us of the material terms of the employment contract. Dr. Chen also may not engage, directly or indirectly, in any work, employment, consulting, or other services, for remuneration of any kind for any other person or business entity that competes with us without prior written approval of the board of directors.

Our employment agreement with George Lin includes a signing bonus and an exit milestone bonus, as well as equity incentives including options and restricted stock units. Mr. Lin may voluntarily resign upon 30 days' notice and is entitled to severance payments if certain conditions are met, including (i) assignment by the board to a significantly lower position, (ii) a material decrease in compensation, and (iii) any material breach by us of the material terms of the employment contract. Mr. Lin also may not engage, directly or indirectly, in any work, employment, consulting, or other services, for remuneration of any kind for any other person or business entity that competes with us without prior written approval of the board of directors.

All of our other employees enter into standard form employment agreements with us. We provide new hire training to our employees and periodic on-the-job training to enhance the skills and knowledge of our employees.

None of our employees belong to a labor union. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Track Record Period and up to the Latest Practicable Date.

Compliance and Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. During the two years ended December 31, 2016 and 2017, the three months ended June 30, 2018, and as of the Latest Practicable Date, none of us or our Directors were involved in any litigation, arbitration or administrative proceedings including for research and development, 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 adverse impact on our business, financial condition or results of operations.

As advised by our PRC Legal Adviser, during the two years ended December 31, 2016 and 2017, the three months ended June 30, 2018, and as of the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects.

Regulatory

For a discussion of the material regulations that apply to us regarding the development and approval of pharmaceutical products, intellectual property protection and other regulations material to our business, see the section entitled "Regulatory Overview" in this prospectus.

Material Communications with the CFDA

Our communications with the CDA can be categorized into four stages, corresponding to the advancement of the development of Dorzagliatin: (1) pre-IND discussions with the CDE; (2) IND application and review; (3) conclusion of Phase I to report Phase I results, and to apply for initiation of Phase II; and (4) conclusion of Phase II to report Phase II results and to apply for initiation of Phase III. We have also since planned several pre-NDA meetings with the CDE and CDA.

In addition to existing communications with the Chinese authorities, we currently maintain an active IND for Dorzagliatin in the United States, and have conducted several clinical studies in the United States in accordance with U.S. FDA requirements.

On May 28, 2013, we and our CDSC members met with CDA CDE officials and their advisors to review the Dorzagliatin IND Application. We received permission from the CDE to enter into Phase I clinical trials.

On July 27, 2015, we and our CDSC members met with CDA CDE officials and their advisors to review Phase I results and to seek approval to initiate Phase II/III trials. We received permission from the CDE to initiate Phase II/III clinical trials. In addition, the CDE advised us to closely monitor glycemic change and hypoglycemia incidences during the Phase II trial, and to conduct a non-clinical toxicology GLP study to support our application to initiate Phase III trials.

On May 25, 2016, we met with CDE officials prior to the conclusion of our Phase II trial. During this meeting, we defined the scope of our planned conclusion of Phase II meeting, as well as requirements for our Phase III trial design. We agreed to conduct studies to assess 24-week efficacy and 52-week safety for Dorzagliatin as a first-in-class monotherapy treatment, and a metformin add-on therapy. In addition, we agreed to meet the requirement of a minimum of 500 patients total exposed to Dorzagliatin for 52 weeks, principally for purposes of safety evaluation. Finally, we also agreed to consider the necessity of a mass balance study, a cardiac-related QT/QTc study, and drug-drug interaction studies prior to NDA filing.

On November 30, 2016, we and our CDSC members met with CDA CDE officials and their advisors for our conclusion of Phase II meeting, to review Phase II results and seek approval to initiate Phase III trials. Both parties agreed that the Dorzagliatin Phase II data and non-clinical safety data support the initiation of Phase III trials. We agreed to conduct two Phase III trials for two indications of Type 2 diabetes patients (monotherapy for drug naive and metformin add-on for metformin tolerated patients). The trials would be conducted with the 75 mg twice daily dosage. We also agreed that HbA1c would be our primary clinical efficacy endpoint, with 0.4% reduction over placebo and a p-value of less than 0.05. In addition, the CDA indicated we would receive priority review and could apply on a rolling filing basis when 24-week efficacy and safety data supported our NDA filing. We

also agreed that we would complete additional planned clinical pharmacology and non-clinical safety studies to support our NDA filing. In December 2016, and October 2017 we held meetings with the CDA that were focused on providing updates to questions from previous meetings, as well as technical discussions on the manufacturing process for NDA consideration.

Research and Development

We are a pre-revenue company primarily engaged in pharmaceutical research and development. For information on our R&D strategy, see "—Our Strategy and Business Plan" above. For information on our R&D employees, see "—Employees" above. For credentials of our management team, see our "Directors, Senior Management and Advisors" Section. For information on our treatment of R&D expenses, see "Financial Information—Factors Affecting Our Results of Operations—Research and Development (R&D) Expenses."

Occupational Health, Safety and Environmental Matters

We do not believe that our industry involves, nor does the nature of our business expose us to, a substantial risk of environmental, health or work safety matters. During the Track Record Period, our Directors confirm that we did not experience any material occupational health, safety, or environmental incidents, and our PRC Legal Advisors have advised that were in compliance with relevant laws and regulations in all material respects.

Risk Management and Internal Control

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. For details, see "Risk Factors — Other risks relating to our business." Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules, and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Walter Teh-Ming Kwauk, who serves as chairman of the committee, William Robert Keller and Lian Yong Chen. For the qualifications and experience of these committee members, see "Directors, Senior Management and Advisors";

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and

- attend training session by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Internal Control

We have employed an independent internal control consultant to conduct an assessment of our internal control system in connection with the Listing. The internal control consultant has conducted a review procedure on our internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. The internal control consultant conducted its work in March 2018 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The internal control consultant performed follow-up procedures on our internal control system with regard to those actions taken by us in May 2018 and has not identified any material deficiencies in our internal system. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

We plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

Certificates, Permits and Licenses

We have had obtained all the material licenses, permits, approvals and certificates necessary to conduct our operations and such licenses, permits, approvals and certificates are within their respective effective periods remained in full effect.

The table below sets forth details of our material licenses and permits, which we expect are renewable on a routine basis without material issues:

Holder	Certificate/Permit/License	Scope	Issue Authority	Issue Date	Expiry Date
Hua Shanghai. . .	Market Authorized Holder (Permit no.: 2017L01557)	Dorzagliatin tablet 75mg	CFDA	March 27, 2017	March 26, 2020
Hua Shanghai. . .	Market Authorized Holder (Permit no.: 2017L01558)	Dorzagliatin tablet 5mg	CFDA	March 27, 2017	March 26, 2020

Holder	Certificate/Permit/License	Scope	Issue Authority	Issue Date	Expiry Date
Hua Shanghai...	Market Authorized Holder (Permit no.: 2017L01559)	Dorzagliatin API	CFDA	March 27, 2017	March 26, 2020
Hua Shanghai...	Market Authorized Holder (Permit no.: 2017L01560)	Dorzagliatin tablet 50 mg	CFDA	March 27, 2017	March 26, 2020
Hua Shanghai...	Market Authorized Holder (Permit no.: 2017L01551)	Dorzagliatin tablet 100 mg	CFDA	March 27, 2017	March 26, 2020
Hua Shanghai...	Market Authorized Holder (Permit no.: 2017L01555)	Dorzagliatin tablet 25 mg	CFDA	March 27, 2017	March 26, 2020
Hua Shanghai...	New Drugs Phase II and Phase III clinical trial approval (新藥II期和III期臨床試驗) (Permit no.: 2015L01892)	Dorzagliatin API	CFDA	September 6, 2015	September 5, 2018
Hua Shanghai...	New Drugs Phase II and Phase III clinical trial approval (新藥II期和III期臨床試驗) (Permit no.: 2015L01893)	Dorzagliatin tablet 5 mg	CFDA	September 6, 2015	September 5, 2018
Hua Shanghai...	New Drugs Phase II and Phase III clinical trial approval (新藥II期和III期臨床試驗) (Permit no.: 2015L01894)	Dorzagliatin tablet 25 mg	CFDA	September 6, 2015	September 5, 2018
Hua Shanghai...	New Drugs Phase II and Phase III clinical trial approval (新藥II期和III期臨床試驗) (Permit no.: 2015L01895)	Dorzagliatin tablet 100 mg	CFDA	September 6, 2015	September 5, 2018

Holder	Certificate/Permit/License	Scope	Issue Authority	Issue Date	Expiry Date
Hua Shanghai. . .	New Drugs Phase II and Phase III clinical trial approval (新藥II期和III期臨床試驗) (Permit no.: 2016L06055)	Dorzagliatin tablet 50 mg	CFDA	July 10, 2017	July 13, 2019
Hua Shanghai. . .	New Drugs Phase II and Phase III clinical trial approval (新藥II期和III期臨床試驗) (Permit no.: 2016L06056)	Dorzagliatin tablet 75 mg	CFDA	July 10, 2017	July 13, 2019

Approvals by the China Human Hereditary Resources Management Office (中國人類遺傳資源管理辦公室):

Multiple center, randomized, double-blind, placebo-controlled 24-week Phase III clinical study to look into the effect and safety of Dorzagliatin as a monotherapy on Type 2 diabetes patients and the extended 28-week treatment to look into the safety of Dorzagliatin as a monotherapy on Type 2 diabetes patients

Holder	Partnering entity	Approval No.	Issue Authority	Approval date
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]861	China Human Hereditary Resources Management Office	June 29, 2017
Shiyan City Taihe Hospital	Hua Shanghai	[2017]1248	China Human Hereditary Resources Management Office	August 22, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1359	China Human Hereditary Resources Management Office	September 3, 2017
Guizhou Medical University Affiliated Hospital	Hua Shanghai	[2017]1592	China Human Hereditary Resources Management Office	September 29, 2017

Holder	Partnering entity	Approval No.	Issue Authority	Approval date
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1484	China Human Hereditary Resources Management Office	September 18, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1663	China Human Hereditary Resources Management Office	September 29, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1942	China Human Hereditary Resources Management Office	November 17, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2018]617	China Human Hereditary Resources Management Office	May 3, 2018
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2018]785	China Human Hereditary Resources Management Office	May 29, 2018

A single dose, open-drug interaction study to investigate the pharmacokinetics, and safety of HMS5552 alone and in combination with itraconazole in subjects with Type 2 Diabetes

Holder	Partnering entity	Approval No.	Issue Authority	Approval date
The First Hospital affiliated with the Jilin University.	Hua Shanghai	[2017]1502	China Human Hereditary Resources Management Office	September 18, 2017

A single dose, open-drug interaction study to investigate the pharmacokinetics, pharmacodynamics, and safety of HMS5552 alone and in combination with rifampin in healthy adult subjects

Holder	Partnering entity	Approval No.	Issue Authority	Approval date
Shanghai Xuhui District Central Hospital	Hua Shanghai	[2018]194	China Human Hereditary Resources Management Office	March 4, 2018

Multiple centre, randomized, double-blind, placebo-controlled 24-week Phase III clinical study to look into the effect and safety of Dorzagliatin in combination with metformin on Type 2 diabetes patients and the extended 28-week treatment to look into the safety of Dorzagliatin in combination with metformin on Type 2 diabetes patients

Holder	Partnering entity	Approval No.	Issue Authority	Approval date
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1363	China Human Hereditary Resources Management Office	September 3, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1588	China Human Hereditary Resources Management Office	September 29, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1644	China Human Hereditary Resources Management Office	September 29, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1846	China Human Hereditary Resources Management Office	November 7, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]1895	China Human Hereditary Resources Management Office	November 7, 2017

Holder	Partnering entity	Approval No.	Issue Authority	Approval date
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]2038	China Human Hereditary Resources Management Office	November 17, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2017]2281	China Human Hereditary Resources Management Office	December 15, 2017
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2018]19	China Human Hereditary Resources Management Office	January 16, 2018
Sino-Japan Hospital	Hua Shanghai	[2018]82	China Human Hereditary Resources Management Office	January 29, 2018
Shanghai Yangpu Centre Hospital.	Hua Shanghai	[2017]1831	China Human Hereditary Resources Management Office	November 7, 2017
Shanghai Yangpu Centre Hospital.	Hua Shanghai	[2017]2005	China Human Hereditary Resources Management Office	November 17, 2017
Shanghai Dongfang Hospital	Hua Shanghai	[2017]2293	China Human Hereditary Resources Management Office	December 15, 2017
Shanghai Dongfang Hospital	Hua Shanghai	[2017]2294	China Human Hereditary Resources Management Office	December 15, 2017

Multiple center, randomized, double-blind, placebo-controlled 12-week Phase II clinical study to look into the safety, tolerability, effect, population pharmacokinetics of Dorzagliatin on Type 2 diabetes patients

Holder	Partnering entity	Approval No.	Issue Authority	Approval Date
Nanjing Drum Tower Hospital (affiliated with the medical school of Nanjing University)	Hua Shanghai	[2018]874	China Human Hereditary Resources Management Office	June 11, 2018

Our Board consists of eight (8) Directors, of whom two (2) are executive Directors, two (2) are non-executive Directors and four (4) are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information in respect of the members of the Board.

Name	Position	Age	Date of appointment as Director	Date of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Li CHEN (陳力)	Founder; Executive Director; Chief Executive Officer, Chief Scientific Officer	56	June 4, 2010	June 4, 2010	In charge of overall management, business, and strategy of our Group; in charge of the scientific research and development of our Group	None
George Chien Cheng LIN (林潔誠)	Executive Director; Executive Vice President; Chief Financial Officer	47	May 11, 2018	December 22, 2017	In charge of overall financial management, legal and corporate development of our Group	None
Robert Taylor NELSEN.	Non-Executive Director; Chairman of the Board	55	April 23, 2010	April 23, 2010	Providing overall guidance on the business and strategic development of our Group; advising on matters relating to nomination of our Directors and senior management	None
Lian Yong CHEN (陳連勇)	Non-Executive Director	56	January 6, 2015	March 25, 2010	Providing overall guidance on the business and strategic development of our Group; advising on matters relating to audit and remuneration of our Directors and senior management	None
Walter Teh-Ming KWAUK (郭德明) .	Independent non-executive Director	65	August 26, 2018 (effective from the Listing Date)	the Listing Date	Supervising and providing independent judgment to our Board; advising on matters relating to corporate governance, audit and remuneration of our Directors and senior management	None

Name	Position	Age	Date of appointment as Director	Date of joining the Group	Role and responsibility	Relationship with other Directors and senior management
William Robert KELLER	Independent non-executive Director	70	August 26, 2018 (effective from the Listing Date)	the Listing Date	Supervising and providing independent judgment to our Board; advising on matters relating to corporate governance, audit and nomination of our Directors and senior management	None
Junling LIU (劉峻嶺)	Independent non-executive Director	54	August 26, 2018 (effective from the Listing Date)	the Listing Date	Supervising and providing independent judgment to our Board; advising on matters relating to our strategic development and nomination of our Directors and senior management	None
Yiu Wa Alec TSUI (徐耀華)	Independent non-executive Directors	69	August 26, 2018 (effective from the Listing Date)	the Listing Date	Supervising and providing independent judgment to our Board	None

DIRECTORS

Executive Directors

Li CHEN (陳力), aged 56, is our founder and Chief Scientific Officer. He was appointed as a Director on June 4, 2010 and re-designated as an executive Director on May 11, 2018. He has been our Chief Executive Officer since June 4, 2010. Since August 2010 and March 2011, respectively, he has served as a director of Hua HK and Hua Shanghai.

Dr. Chen has over 20 years of experience in the biopharmaceutical industry. He is a pioneer in collaborative innovation in China and has been actively involved in the development of Dorzagliatin (now in its fourth generation) including the years he spent at Roche (from whom we acquired our rights to Dorzagliation in 2011). Dr. Chen joined Roche in 1992 in the United States, focusing on R&D. Dr. Chen held many leadership positions rising to become a member of Roche's Research Leadership Team. In his last position at Roche before joining Hua, he served as the founding director and chief scientific officer of Roche China R&D Center in Shanghai, China. In that role, Dr. Chen was responsible for development and implementation of Roche China drug discovery strategy, creation of China discovery portfolio, and management of China operations with several drugs from the Roche R&D portfolio during his tenure (including Dorzagliatin) now in the clinical development in China. Since June 2014, Dr. Chen has served as an independent director of Coland Pharmaceutical Co., Ltd (康聯藥業有限公司), listed on Taiwan Stock Exchange (stock code: 4144) and primarily engaged in sales, marketing and distribution of pharmaceutical products and medical devices.

Dr. Chen obtained his Bachelor of Science in Chemistry from Zhengzhou University in July 1982, a Master of Science in Chemistry from East China Normal University in November 1985 in Shanghai and a Ph.D. in Organic Chemistry in August 1992 from Iowa State University in the United States. He is an inventor of 35 granted patents and has authored 58 scientific publications. Since September 2007, Dr. Chen has served as an adjunct professor at Tonji University in Shanghai. In 2001, Dr. Chen served as the President of the Sino-American Pharmaceutical Professionals Association (SAPA).

Dr. Chen's awards and recognitions include:

- "Thousand Talents Program" (千人計劃) awarded by the PRC government (2012);
- "Shanghai Pudong Hundred Talents Program" (浦東新區百人計劃) awarded by the Shanghai Pudong New Area government (2012);
- Shanghai Leading Talent Award (2009);
- IBC China Parma R&D award (2010);
- Roche Olympiad Awards: Golden Award in Pharma Research (2005); and
- SAPA President Award (2002).

Save as disclosed above, Dr. Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

George Chien Cheng LIN (林潔誠), aged 47, was appointed as our Director on May 11, 2018 and re-designated as an executive Director on the same date. He has been the Company's Executive Vice President and Chief Financial Officer since December 22, 2017. Mr. Lin has been serving as a member of the Biotech Advisory Panel of the Stock Exchange since April 24, 2018. Mr. Lin has over 18 years of experience in investment banking working with numerous private and public companies globally. Prior to joining the Group, he worked for Bank of America Merrill Lynch in Hong Kong as an investment banker, and held a number of senior positions including Asia Pacific head of consumer, retail and healthcare investment banking, and head of Hong Kong and Taiwan investment banking coverage from June 2013 to December 2017. From July 2000 to May 2013, he worked for Credit Suisse as an investment banker in the Los Angeles, San Francisco and Hong Kong offices. At Credit Suisse, he focused on financings and merger and acquisitions for a variety of global clients, including, but not limited to, U.S. biotechnology companies and Chinese healthcare companies. His last position at Credit Suisse was Asia Pacific (ex-Japan) head of consumer, retail and healthcare investment banking based in Hong Kong. Prior to investment banking, Mr. Lin practiced corporate law in Los Angeles including working for O'Melveny & Myers for over 4 years from September 1995 to July 1999.

Mr. Lin obtained his bachelor's degree in biological sciences from the University of California at Davis in June 1992 and a juris doctor degree from The University of Chicago Law School in June 1995. Mr. Lin was admitted to the California State Bar in December 1995. Mr. Lin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Non-executive Directors

Robert Taylor NELSEN, aged 55, was appointed as our Director on April 23, 2010 and re-designated as a non-executive Director on May 11, 2018. He is the Chairman of our Board and has also been a director of our subsidiary, Hua HK, since August 2010. Since 1994, Mr. Nelsen has served as a co-founder and managing director of ARCH Venture Partners, a venture capital firm focused on early-stage technology companies, and has played a significant role in the early sourcing, financing and development of more than 30 biopharmaceutical companies. Mr. Nelsen has been serving as a director of Denali Therapeutics, Inc. (stock code: DNLI) since May 2015, Sienna Biopharmaceuticals, Inc. (stock code: SNNA) since August 2015, Syros Pharmaceuticals, Inc. (stock code: SYRS) since August 2012, and Unity Biotechnology, Inc. (stock code: UBX) since November 2011, and previously served as a director of Juno Therapeutics, Inc. (stock code: JUNO) from August 2013 to March 2018, KYTHERA Biopharmaceuticals, Inc. (stock code: KYTH) from January 2006 to December 2014, Agios Pharmaceuticals Inc. (stock code: AGIO) from December 2007 to June 2017, Sage Therapeutics, Inc. (stock code: SAGE) from September 2013 to March 2016, Bellerophon Therapeutics, Inc. (stock code: BLPH) from February 2014 to November 2015, Adolor Corporation (stock code: ADLR) from November 1994 to May 2004, Illumina, Inc. (stock code: ILMN) from June 1998 to August 2006, Fate Therapeutics, Inc. (stock code: FATE) from September 2007 to June 2014, and NeurogesX, Inc. (stock code: NGSX) from July 2000 to July 2013, all of which were companies listed on NASDAQ stock market in the United States. Subsequent to June 29, 2012, NGSX shares were quoted on the Over the Counter Bulletin Board (OTC) in the United States. Mr. Nelsen also previously served as a trustee of Fred Hutchinson Cancer Research Center.

Mr. Nelsen received a Bachelor of Science degree with majors in economics and biology from the University of Puget Sound in the United States in 1985 and an M.B.A. from the University of Chicago in the United States in 1987. Save as disclosed above, Mr. Nelsen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Lian Yong CHEN (陳連勇), aged 56, was appointed as our Director on January 6, 2015 and re-designated as a non-executive Director on May 11, 2018. He has also been a director of our subsidiaries, Hua HK and Hua Shanghai, since January 2015 and April 2016 respectively. Dr. Lian Yong Chen is currently the founding managing partner and CEO of 6 Dimensions Capital. He has over 20 years of experience in the life sciences industry in China and the United States as a venture capitalist, senior management executive, entrepreneur, and scientific inventor. He was the founder and managing partner at Frontline BioVentures and a partner at FIL Capital Management (Hong Kong) Limited in Asia from May 2008 to March 2014. He is a member of the Expert Review Panel for the PRC Government's Thousand Talents Program.

He served as a director of Shanghai Hile Bio-Pharmaceutical Co. Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603718) from December 2014 to December 2017. Save as disclosed above, Dr. Lian Yong Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. Lian Yong Chen conducted postdoctoral research at the Massachusetts Institute of Technology after obtaining his Ph.D. degree in Chemistry (with top honor) from the University of Louvain, Louvain-La-Neuve in Belgium in July 1991. He obtained his Bachelor of Science degree in Chemistry from Peking University in June 1984.

Independent Non-executive Directors

Walter Teh-Ming KWAUK (郭德明), aged 65, was appointed as an independent non-executive Director on August 26, 2018 (effective from the Listing Date). Mr. Kwauk is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Kwauk has been serving as an independent director at Alibaba Group Holding Limited, a company primarily engaged in internet commerce services and listed on the New York Stock Exchange (stock code: BABA), since September 2014, and is currently the chairman of the audit committee of Alibaba Group Holding Limited. He previously served as an independent non-executive director and chairman of the audit committee of Alibaba.com Limited, a subsidiary of Alibaba Group Holding Limited which was listed on the SEHK, from October 2007 to July 2012. Mr. Kwauk is also currently a senior adviser of Motorola Solutions (China) Co., Ltd., a software and services company primarily engaged in provision of data communications and telecommunications equipment, and serves as an independent non-executive director of Sinosoft Technology Group Limited, a software and services company listed on the Stock Exchange (stock code: 1297), and WuXi Biologics (Cayman) Inc., a company primarily engaged in biologics services provision and listed on the Stock Exchange (stock code: 2269), for both of which Mr. Kwauk is also the chairman of their audit committees.

From June 2014 to August 2016, he served as an independent non-executive director and the chairman of the audit committee of China Fordoo Holding Limited, a menswear design and manufacturing company listed on the main board of the Stock Exchange (stock code: 2399), and has been responsible for providing independent judgment to the board of the company. From August 2014 to December 2015, Mr. Kwauk also served as an independent director of WuXi PharmaTech, a biopharmaceutical company formerly listed on the New York Stock Exchange during the same period. Mr. Kwauk was a vice president of Motorola Solutions, Inc., data communications and telecommunications equipment provider, and its director of corporate strategic finance and tax for Asia Pacific from 2003 to 2012. Mr. Kwauk served with KPMG from 1977 to 2002 and held a number of senior positions, including the general manager of KPMG's joint venture accounting firm in Beijing, the managing partner in KPMG's Shanghai office and a partner in KPMG's Hong Kong Office.

Mr. Kwauk has been a member of the Hong Kong Institute of Certified Public Accountants since March 1983. He received a bachelor's degree in science and a licentiate's degree in accounting from the University of British Columbia in Canada in April 1975 and April 1977 respectively.

Save as disclosed above, Mr. Kwauk is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

William Robert KELLER, aged 70, was appointed as independent non-executive Director on August 26, 2018 (effective from the Listing Date). Mr. Keller is primarily responsible for supervising and providing independent judgment to our Board.

Since May 2017, Mr. Keller has served as an independent non-executive director on the board of WuXi Biologics, a company primarily engaged in biologics services provision and listed on the main board of the Stock Exchange (stock code: 2269). Since December 2010, he holds directorship at

Coland Pharmaceutical Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 4144). From September 2014 to December 2015, Mr. Keller served as an independent director of WuXi PharmaTech, a biopharmaceutical company formerly listed on the New York Stock Exchange during the same period. Between 1974 to 2003, Mr. Keller served in various positions at the Roche Group, including as the general manager of Roche China Ltd. and Shanghai Roche Pharmaceutical Ltd. He has been a vice chairman of the Shanghai Association of Enterprises with Foreign Investment, a senior consultant to the Shanghai Foreign Investment Development Board, and the deputy general manager of Zhangjiang Biotech and Pharmaceutical Base Development Co., Ltd. Mr. Keller previously held directorships in biopharmaceutical companies including Alexion Pharmaceuticals, Inc., a company listed on NASDAQ (stock code: ALXN) from December 2009 to May 2015, China Nuokang Pharmaceutical Inc. a company listed on NASDAQ (stock code: NKBP) from August 2008 to December 2011. He has also served as a chairman of HBM Biomed China Partners.

Mr. Keller obtained a Bachelor of Science degrees from the School of Economics and Business Administration in Switzerland in July 1972. Save as disclosed above, Mr. Keller is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Junling LIU (劉峻嶺), aged 54, was appointed as an independent non-executive Director on August 26, 2018 (effective from the Listing Date). Mr. Liu is the chairman and chief executive officer of New Peak Group, a digital and mobile healthcare platform operator in China. Mr. Liu was a co-founder and chief executive officer of Yihaodian. Before establishing Yihaodian in 2008, Mr. Liu was a co-president of Dell (China) Company Limited from 2006 to 2007. He has been an independent director of Autohome Inc. since January 12, 2015.

Mr. Liu received his Master of International Business Administration degree from Flinders University in Australia in 1998. Save as disclosed above, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Yiu Wa Alec TSUI (徐耀華), aged 69, was appointed as an independent non-executive Director on August 26, 2018 (effective from the Listing Date). Mr. Tsui has over 21 years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. He served at various positions, including the chief executive of the Stock Exchange from February 1997 to August 2000, the chief operating officer of Hong Kong Exchanges and Clearing Limited from March 2000 to August 2000 and the chairman of Hong Kong Securities Institute from November 1998 to December 2004. Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited, a private professional consulting services and financial solutions company from February 2006 to June 2016, and presently serves as a director to WAG Worldsec Management Consultancy Limited.

Mr. Tsui is an independent non-executive director of a number of companies listed in Hong Kong, namely, COSCO Shipping International (Hong Kong) Co., Ltd., (stock code: 517) since February 2004, Pacific Online Limited (stock code: 543) since November 2007, Summit Ascent Holdings Limited (stock code: 102) since March 2011, Kangda International Environmental Company Limited (stock code: 6136) since October 2013 and DTXS Silk Road Investment Holdings Company Limited (stock code: 620) since December 2015. He also serves as independent director of NASDAQ listed companies, ATA Inc. (stock code: ATAI) since January 2008 and Melco Resorts & Entertainment

Limited (stock code: MLCO) since December 2006 as well as Melco Resorts and Entertainment (Philippines) Corporation (stock code: MRP), a company listed on the Philippine Stock Exchange, since December 2012. Mr. Tsui is also an independent non-executive director of Industrial & Commercial Bank of China (Asia) Limited, a company previously listed in Hong Kong, since August 2000. He also served as independent non-executive directors in various other Hong Kong listed companies, including China Power International Development Limited (stock code: 2380) from March 2004 to December 2016 and China Oilfield Services Limited (stock code: 2883) from June 2009 to June 2015. Save as disclosed above, Mr. Tsui is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Tsui graduated from the University of Tennessee in the United States, with a bachelor degree in science in industrial engineering in June 1975 and a master degree in engineering in June 1976. He completed the programme for senior managers in government at the John F. Kennedy School of Government at Harvard University in the United States in August 1993.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of the Group. The business address of each member of our senior management team is Hua Medicine, 275 Ai Di Sheng Road, Shanghai 201203, China.

Name	Position	Age	Date of appointment	Date of joining our Group	Role and responsibility	Relationship with other Directors and senior management
Li CHEN (陳力)	Chief Executive Officer; Chief Scientific Officer	56	June 4, 2010	June 4, 2010	In charge of overall management, business, strategy and corporate development of the Group; responsible for the scientific research and development of the Group	None
George Chien Cheng LIN (林潔誠)	Executive Vice President; Chief Financial Officer	47	December 22, 2017	December 22, 2017	In charge of overall financial management and corporate development of our Group	None
Daniel Yunlong DU (杜雲龍)	Senior Vice President, Regulatory, Clinical and Manufacture, Drug Safety and Pharmacovigilance	54	August 15, 2017	August 15, 2017	Primarily responsible for monitoring our clinical studies, New Drug Application filings and safety management	None

Name	Position	Age	Date of appointment	Date of joining our Group	Role and responsibility	Relationship with other Directors and senior management
Yi ZHANG (張怡) . . .	Senior Vice President, Clinical R&D	44	April 1, 2018	February 1, 2013	Primarily responsible for our clinical R&D	None
Yong Guo LI (李永國)	Senior Vice President, Chemical Manufacturing Control	52	April 1, 2018	August 6, 2012	Primarily responsible for our pharmaceutical R&D	None
Jin SHE (佘勁)	Vice President, Chemical Manufacturing Control	45	June 1, 2015	June 1, 2015	Primarily responsible for manufacturing and process chemistry R&D	None
YiLei FU (付宜磊) . . .	Vice President, Quality Assurance	48	July 17, 2017	July 17, 2017	Primarily responsible for quality assurance and quality management	None
Wenjie XU (徐文潔) . .	Vice President, Head of Commercial Strategy and Marketing	47	August 9, 2018	August 9, 2018	Primarily responsible for our commercial strategies and marketing	None

Li CHEN (陳力), see "— Directors" for details.

George Chien Cheng LIN (林潔誠), see "— Directors" for details.

Daniel Yunlong DU (杜雲龍), aged 54, has been serving as the senior vice president of our Regulatory, Clinical and Manufacture department and Drug Safety and Pharmacovigilance department since he joined our Group on August 15, 2017. Prior to joining our Group, he worked in Frontage Clinical Services, Inc. as vice president from March 2016 to August 2017, Akebia Therapeutics, Inc. as clinical director in the mid 2010s, GlaxoSmithKline plc as principal clinical scientist and Pfizer, Inc. as associate director. He is the inventor of 9 patents. Dr. Du received his bachelor degree from Beijing Medical University in China in July 1987 and Ph.D. degree in Biological Sciences from Albany Medical College in the United States in May 1995. He received U.S. Education Certificates for Foreign Medical Graduates (ECFMG) in 1996.

Yi ZHANG (張怡), aged 44, has been serving as the senior vice president of our Clinical R&D department since April 2018. Prior to joining our Group in February 2013 as vice president of our Clinical R&D department, Dr. Zhang was the associate medical director of clinical science at Roche Product Development group, Asia Pacific region in early 2010s. She served as a clinical scientist for innovative drug development in the areas of cardiovascular, metabolic and renal diseases. Prior to Roche, Dr. Zhang was a physician at Shanghai Renji Hospital, and worked at Shanghai Renji Hospital, Shanghai Ruijin Hospital, and Shanghai Jiaotong University School of Medicine with 10 years' clinical experience between December 1999 and October 2009. Dr. Zhang obtained her Ph.D. degree

from Shanghai Jiaotong University School of Medicine (specialization in cardiology) in China in June 2004. She was involved in the Framingham Heart Study as a NIH/NHLBI visiting researcher. Dr. Zhang was nominated as a "Shanghai Excelling Academic/ Technical Leader" (上海市優秀學術/技術帶頭人) in 2015 and has authored 60 publications in journals such as Nature Genetics, Circulation: Cardiovascular Genetics, and Human Molecular Genetics, and has invented 3 China patents.

Yong Guo LI (李永國), aged 52, has been serving in our Chemical Manufacturing Control department as the vice president from August 2012, and currently as the senior vice president since April 2018. Prior to joining our Group, Mr. Li served as the head of analytical science at Roche R&D Center (China) Ltd.. Before joining Roche, Dr. Li worked at the global healthcare company Pharmanex of Nu Skin as the QA manager. He was also a faculty member at China Pharmaceutical University. He has published over 20 scientific articles in peer-reviewed journals. Dr. Li obtained his master's degree in Chemistry from Jilin University in China in July 1991 and Ph.D. degree in Medicine from Shanghai University of Traditional Chinese Medicine in China in July 2004.

Jin SHE (佘勁), aged 45, has been serving as the Company's vice president in our Chemical Manufacturing Control department since June 2015. Prior to joining our Group in June 2015, Dr. She worked at MSD R&D Center (China) from January 2013 to May 2015 and at Roche R&D Center (China) from April 2009 to December 2012. He has 8 publications in peer-reviewed journals and 6 patents. Dr. She received his Ph.D. degree in chemistry from the University of North Carolina at Chapel Hill in August 2004 and his bachelor and master's degree in chemistry from Peking University in China in July 1996 and July 1999 respectively.

YiLei FU (付宜磊), aged 48, has been serving as the Company's vice president for the Quality Assurance department since he joined our Group in July 2017. Mr. Fu served as quality director at Boehringer-Ingelheim from September 2010 to July 2017. Mr. Fu also served as senior quality and compliance manager at pharmaceutical company Xian Janssen in the late 2000s. Prior to that, he served as quality assurance manager at pharmaceutical company AstraZeneca. Mr. Fu obtained his bachelor's degree in pharmaceutical analysis from Shenyang Pharmaceutical University in 1994, his master's degree of business administration from Shanghai Jiaotong University in China in January 2008 and was certified as a licensed pharmacist by the China Food and Drug Administration in October 2000.

Wenjie XU (徐文潔), aged 47, has been serving as vice president, Head of Commercial Strategy and Marketing since August 9, 2018. Prior to joining our Group, Ms. Xu served as Executive Director of the Cardiovascular, Renal, and Metabolic Business Unit of AstraZeneca China from January 2016 to August 2018. Ms. Xu's principal responsibility at AstraZeneca China was sales and marketing of their diabetes franchise in China, including the successful launch of Dapagliflozin. Prior to AstraZeneca, She also served in various sales and marketing roles at Eli Lilly from February 2007 to December 2015, focused on diabetes starting in 2009. Prior to Eli Lilly, Ms. Xu served in sales and marketing functions of various pharmaceutical companies, including Amgen China. Ms. Xu obtained her bachelor's degree in pharmaceutical analysis from the China Pharmaceutical University in 1993, and a master of business administration degree from Goizueta Business School, Emory University in the United States, in 2004.

PORTFOLIO ADVISORY BOARD

Our R&D team is backed by external scientists serving on our Portfolio Advisory Board, or PAB. Those scientists are mainly based in North America and are not employees of our Group. The Portfolio Advisory Board provides our R&D team with valuable information on global pharmaceutical science and technology, which enables the Company to stay update on the latest changes in market and technology trends. Members of our Portfolio Advisory Board also provide independent opinion as requested by the Company during the R&D process.

The Portfolio Advisory Board comprises of the following members:-

Name	Date of appointment
John. J. BALDWIN	June 4, 2010
James S. MACDONALD	August 30, 2010
Bennett M. SHAPIRO	September 1, 2010
Catherine D. STRADER	January 28, 2012
Christopher T. WALSH	July 19, 2010

John J. BALDWIN, Ph.D., is a distinguished scientist and serial entrepreneur. He was a director of WuXi PharmaTech (Cayman) Inc. in Shanghai, China. He also served as a director of GlycoMimetics, a company listed on NASDAQ (stock code: GLYC), and is currently a director of IVIEW Therapeutics Inc..

Dr. Baldwin has published over 125 scientific articles and numerous reviews, and he holds over 200 issued United States patents. He has received several awards in recognition of his work including the prestigious Hershberg Award for Important Discoveries in Medically Active Substance, and the Outstanding Achievement Awards by the University of Minnesota and the University of Delaware. He was inducted into the Medicinal Chemistry Division Hall of Fame at the 2007 Fall ACS Meeting and received the American Chemical Society, Philadelphia Section Award. Dr. Baldwin received his Bachelor of Science degree in Chemistry from the University of Delaware and his Ph.D. Degree at the University of Minnesota.

James S. MACDONALD, Ph.D., formed Chrysalis Pharma Consulting, LLC, of which he is currently the president with a particular focus on bringing new molecular entities from late stage lead optimization through initial human testing to clinical proof of concept. Dr. MacDonald formed Synergy Partners R&D Solutions LLC with Dr. Catherine Strader in 2014. As founding partners, Dr. MacDonald and Dr. Strader have formed a network of experienced professionals in all disciplines involved with the discovery and development of new therapeutic entities. This group is currently partnering with small and mid-sized pharmaceutical companies to bring new, innovative medicines forward to address unmet medical needs.

Bennett M. SHAPIRO, M.D., is the co-founder and non-executive director of PureTech Health plc, a company listed on the London Stock Exchange (stock code: PRTC). He is also Chairman of VBL therapeutics, Ltd, a company listed on NASDAQ (stock code: VBLT). From 1990 to 2003 he was the executive vice president at Merck Research Laboratories.

Earlier, he was a professor and chairman of the Department of Biochemistry at the University of Washington. He is the author of over 120 papers on the molecular regulation of cellular behavior and the biochemical events that integrate the cascade of cellular activations at fertilization.

Dr. Shapiro received his Bachelor of Science degree in chemistry from Dickinson College and his Doctor of Medicine from Jefferson Medical College. He was a Research Associate at the NIH, and later returned to the NIH as Chief - Section on Cellular Differentiation in the Laboratory of Biochemistry, prior to joining the University of Washington. Dr. Shapiro has been a Guggenheim Fellow, a Fellow of the Japan Society for the Promotion of Science, and a Visiting Professor at the University of Nice.

Dr. Shapiro is also curently a director of Vedanta Biosciences, Karuna Pharma, Akili Interactive Laboratories and the non-profit Drugs for Neglected Diseases initiative (DNDi).

Catherine D. STRADER, Ph.D. With more than 30 years of pharmaceutical R&D experience, Dr. Strader's expertise is in the selection of molecular targets through clinical proof of concept. She held executive leadership positions at both Schering-Plough and Merck, most recently as chief scientific officer at Schering-Plough and as vice president of external discovery at Merck.

Dr. Strader is a founding partner at Synergy Partners, a consulting network that she co-founded with Dr. MacDonald, which integrates the depth and breadth of expertise required to effectively bring new discoveries to clinical proof of concept and beyond, and currently partners with biopharmaceutical companies to develop new, innovative medicines. Dr. Strader also serves on the boards of directors of Acorda Therapeutics and Accent Therapeutics and is a member of several scientific advisory boards of biopharmaceutical companies.

Dr. Strader holds a Ph.D. in Chemistry from the California Institute of Technology and a Bachelor of Science in Chemistry from the University of Virginia. She is the author of more than 150 scientific publications.

Christopher T. WALSH, Ph.D., is a consulting professor to the Stanford University's department of chemistry and an advisor to the Stanford ChEM-H institute. He was the Hamilton Kuhn Professor of Biological Chemistry and Molecular Pharmacology at Harvard Medical School (HMS) where he took emeritus status.

His research has focused on enzymes and enzyme inhibitors, with specialization on antibiotics and biosynthesis of other biologically and medicinally active natural products. He is the author of five books: on Enzymatic Reaction Mechanisms (1979); Antibiotics: Origins, Actions, Resistance (2003); Posttranslational Modification of Proteins: Expanding Nature's Inventory (2005); Antibiotics: Challenges, Mechanisms, Opportunities (2016); and Natural Product Biosynthesis: Chemical Logic and Enzymatic Machinery (2017). He is a member of the U.S. National Academy of Sciences, the U.S. National Academy of Medicine, the American Academy of Arts and Sciences, the American Philosophical Society, and a co-recipient of the 2010 Welch Prize in Chemistry.

SENIOR ADVISOR

Franz M. MATSCHINSKY, M.D., was appointed as our senior advisor on May 10, 2018 to provide his experience and expertise in the research of glucokinase (GK) and glucose homeostasis to our R&D team, including reviewing our publications and evaluating our clinical trials and studies. He is a professor of biochemistry and biophysics at the University of Pennsylvania. He founded the Penn Diabetes Research Center of the University of Pennsylvania in 1978 and served as its director until 1998. He is also the founder of the Islet Cell Biology Core in the University of Pennsylvania, and continues to serve as its co-director. He is most well-known for formulating the glucokinase glucose sensor concept that is now widely accepted to explain fundamental physiological and pathological processes underlying glucose homeostasis. His research focuses on the studies of the biochemical basis of fuel sensing by pancreatic islet cells, in particular the molecular mechanisms of glucose sensing and glucose stimulated insulin release (GSIR), the endocrine, neural and pharmacological modification of GSIR, the molecular genetic basis of glucokinase (GK) linked hypo-and hyperglycemia syndromes, as well as GK activators (GKAs) to assess its therapeutic potential for the treatment of type II diabetes. He is the co-author of three books: Molecular Pathogenesis of Modys (2000); Glucokinase And Glycemic Disease: From Basics To Novel Therapeutics (2004); Embedding Education Into Diabetes Practice: Frontiers in Diabetes (2005).

KEY OPINION LEADERS (KOLs)

Our R&D team is backed by the external scientists described below who are key opinion leaders, or KOLs, in China. Each of these KOLs has extensive experience in the medical practice associated with diabetes in China and has served or is currently serving as a principal investigator, or PI, in connection with our clinical trials (as described below). These KOLs have also provided and continue to provide services related to our clinical trials. For example, they provide the Company's in-house R&D team with valuable information and guidance on the design and execution of our clinical trials in China for Dorzagliatin. They are currently supporting the Company in our Phase III trials by attending training and recruitment conferences with our other principal investigators. Through their respective involvement with our clinical trials, they have also joined in authoring publications on studies associated with Dorzagliatin.

Wenying YANG (楊文英), M.D., is a distinguished physician who served as the Director of Endocrinology, Director of the Department of Internal Medicine, and Vice Chairman of the Ethics Committee at China-Japan Friendship Hospital in Beijing. She previously served as the President of the Chinese Diabetes Society, and was also awarded the 2015 Scientific Contribution Award by Chinese Diabetes Society. In addition, she received the Xiaoren Pan Distinguished Research Award for Epidemiology of Diabetes in Asia 2013 from the Asian Association for the Study of Diabetes. Dr. Yang has published articles in numerous prestigious journals, including the New England Journal of Medicine and the Lancet Diabetes and Endocrinology.

Dalong ZHU (朱大龍), M.D., is the President-elect of the Chinese Diabetes Society, expected to begin his 2-year term in 2019. He is currently the Director of Endocrinology at the Nanjing Drum Tower Hospital, the Affiliated Hospital of Nanjing University Medical School. In addition, he is Ph.D.

advisor at the Medical School of Nanjing University, and serves on the 8th Committee of the Chinese Diabetes Society. Dr. Zhu has published articles in numerous prestigious journals, including the New England Journal of Medicine, Journal of Clinical Endocrinology & Metabolism, and the Lancet Diabetes and Endocrinology.

Xiaoying LI (李小英), M.D., Ph.D., is a Director of Endocrinology at Zhongshan Hospital, an Affiliated Hospital of Fudan University, and a PostDoc advisor at Zhongshan Hospital. He also currently serves as committee member on the 8th Committee of the Chinese Diabetes Society and the President of the 8th Youth Committee of the Chinese Diabetes Society. In addition, he has published articles in numerous prestigious journals, including the Journal of Clinical Endocrinology & Metabolism, JAMA Internal Medicine, and the Lancet Diabetes and Endocrinology.

These KOLs, who are also serving as clinical trial principal investigators, are not employees of our Group and we compensate them in cash for acting as principal investigators and providing clinical related services, and provide reimbursement for customary expenses incurred by them in the performance of their services on an arm's length basis in the ordinary course and within industry standards.

Each of our clinical trial principal investigators has served or is currently serving as a principal investigator in connection with our clinical trials. Dr. Dalong Zhu previously served as principal investigator for our completed Dorzagliatin Phase Ib and Phase II trial at Nanjing Drum Tower Hospital (where he serves as Director of Endocrinology). Currently, Dr. Zhu is serving as a lead principal investigator for our HMM0301 monotherapy trial at Nanjing Drum Tower Hospital, Dr. Xiaoying Li is serving as a principal investigator for our HMM0302 metformin add-on trial at Zhongshan Hospital in Shanghai (where he serves as Director of Endocrinology) and Dr. Wenying Yang is serving as a lead principal investigator for our HMM0302 metformin add-on trial at China-Japan Friendship Hospital in Beijing (where she formerly served as Director of Endocrinology and Director of the Department of Internal Medicine). During our completed Phase Ib and Phase II trials 6 patients and 13 patients were recruited at Nanjing Drum Tower Hospital (representing 11.3% and 5.0% of the total number of patients recruited for these trials). In our ongoing Phase III trials (as of June 30, 2018), for our HMM0301 monotherapy trial 7 patients were randomized at the Nanjing Drum Tower Hospital (representing 4.0% of the currently enrolled HMM0301 patients) and for our HMM0302 metformin add-on trial 4 patients were randomized at Nanjing Drum Tower Hospital, 4 patients were randomized at the China-Japan Friendship Hospital, and 4 patients were randomized at Zhongshan Hospital (representing in total 9.3% of the currently randomized HMM0302 patients).

Drs. Zhu, Li and Yang are among the most significant KOLs in the diabetes field in China. Nonetheless, they may benefit financially and professionally and reputationally based on their affiliation with us and our efforts to develop and introduce Dorzagliatin as a first-line therapy for the treatment of Type 2 diabetes in China. Also, as disclosed in "Business" and "Connected Transactions," certain of our service providers, including CROs, CMOs and SMOs, are connected persons as they are the associates of one of our substantial shareholders.

The following table sets forth the amount of all compensation paid by us to each of Drs. Zhu, Li and Yang (each of whom has or is currently acting as a principal investigator, or PI, for our clinical trials) during the specified periods with all such amounts related to services provided in connection with our clinical trials.

(RMB)	Years ended December 31,		Three months ended	
	2016	2017	March 31, 2018	Total
Xiaoying Li	—	210,000	90,000	300,000
Dalong Zhu	—		360,000	360,000
Wenying Yang	—	190,000	60,000	250,000

A PI is a physician who leads the conduct of a clinical trial at a study site. The PI is responsible for all clinical research activities at the site. For multicenter trials, there are a number of research sites, each with its own PI with oversight responsibility and staff involved in the conduct of a study. These responsibilities include ensuring the study is run in accordance with national regulatory agency requirements and GCPs. Compliance with GCPs provides assurance that the rights, safety and well-being of trial participants are protected, and that the results of the clinical trials are credible and accurate.

In addition to acting as a PI, these KOLs have provided other clinical trial related services critical to the success of our clinical trials. These services include providing our in-house R&D team with valuable information, training and guidance on the design and execution of our clinical trials in China for Dorzagliatin. These KOLs assist in the patient enrollment and engagement strategy and help ensure the consistency in quality of our clinical trials by attending training and recruitment conferences with our other principal investigators and assist in the training of our outside CRO, SMOs and CMOs. Given the substantial size of our two Phase III trials and the number of clinical sites and the fact that many of the other principal investigators participating for the first time in a clinical trial for a new drug, we anticipate that continuing services by these KOLs will continue to be important for the near future. These KOLs also join in authoring publications on studies associated with Dorzagliatin.

In our clinical trials, we have used and will continue to use CROs and SMOs (who assist with various ministerial tasks at our various clinical trial sites) to conduct, supervise, and monitor our clinical trials, as well as to recruit patients and comply with GCPs, and CMOs for the production of our clinical trial drug needs in accordance with GMP. As disclosed in "Business" and "Connected Transactions," certain of our service providers are connected persons as they are the associates of one of our substantial shareholders. For more information, see "Business—Our Service Providers and Suppliers."

We have confirmed with our PRC Legal Advisor that our compensation arrangements with our clinical trial principal investigators are in compliance with PRC law and there is no requirement from the CDA or other applicable PRC authorities regarding (i) the financial benefits provided by us to our principal investigators (or sub-principal investigators or their respective family members), and (ii) the disclosure of the financial benefits provided by us to our principal investigators (or sub-principal investigators or their respective family members).

We believe we have implemented sufficient measures to ensure the integrity of our clinical studies and the independence of the opinions of our clinical trial principal investigators. For instance, (i) all our clinical trials (including our ongoing Phase III trials—two double-blinded, placebo controlled studies at a total of 114 clinical sites with approximately 5-20 patients at each site) were specifically designed in accordance with international standards and regulatory requirements to ensure that no one individual or group of individuals could impact the outcome of the study once the protocols were established and the trial commenced; (ii) we believe that the amount of consideration received by our principal investigators (including the above KOLs) is consistent with industry norms; (iii) our principal investigators are required to comply with applicable laws, regulations and requirements, as well as acceptable market practice, professional standards and their employer's internal policies when providing advice and services to us (thereby maintaining their independent professional reputations and discharging employment duties to their respective hospital organizations); and (iv) we maintain a qualified and experienced quality assurance team responsible for ensuring that we and our vendors (including our CROs, CMOs and SMOs) maintain compliance with all applicable regulations, standards, protocols and internal company policies.

On the basis of the above and (i) the Company's compensation arrangements with Drs. Li, Zhu and Yang (who are acting as principal investigators) are in compliance with the existing PRC law (ii) the Joint Sponsors' discussions with an independent internal control consultant and our management; (iii) interviews with the clinical trial principal investigators, which generally supported the scientific basis of the our research; (iv) third-party checks with an industry consultant with respect to the nature of the services KOLs performed and the amount of compensation received by the KOLs in comparison with industry practice; (v) confirmation from the management that the financial benefits received by the clinical trial principal investigators are solely for their services related the clinical trials (as stated above) and (vi) Drs. Zhu, Li and Yang being among the most significant KOLs in the diabetes field in China and having provided their professional services to the Company, the Joint Sponsors concur with the Company that the Company has implemented sufficient measures to ensure the integrity of its clinical studies and the independence of the opinions of its clinical trial principal investigators even though they have received payments and may be benefited financially through their affiliation with us.

COMPANY SECRETARY

Ms. Florence Hang Yee CHANG (鄭杏怡) was appointed as our company secretary on May 11, 2018. Ms. Chang is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private, and offshore companies.

Ms. Chang received a master's degree in Corporate Governance from the Graduate School of Business of The Hong Kong Polytechnic University in Hong Kong in December 2006. She is a Chartered Secretary and an associated member of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the Listing Date.

BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration committee, a nomination committee and a strategy committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

The Company has established an audit committee (effective from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The audit committee consists of one non-executive Director, Dr. Lian Yong CHEN, and two independent non-executive Directors, Mr. William Robert KELLER and Mr. Walter Teh-Ming KWAUK. The chairman of the audit committee is Mr. Walter Kwauk. Mr. Kwauk holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company has established a remuneration committee (effective from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The remuneration committee consists of one non-executive Director, Dr. Lian Yong CHEN, and two independent non-executive Directors, Mr. William Robert KELLER and Mr. Walter Teh-Ming KWAUK, with Mr. William Robert KELLER as the chairman. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

The Company has established a nomination committee (effective from the Listing Date) with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee consists of one non-executive Director, Mr. Robert Taylor NELSEN, and two independent non-executive Directors, Mr. Junling LIU and Mr. William Robert KELLER, with Mr. Robert Taylor NELSEN as the chairman. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

Strategy Committee

The Company has established a strategy committee (with effect from the Listing Date). The strategy committee consists of Dr. Li CHEN, Mr. Robert Taylor NELSEN and Mr. Junling LIU, with Dr. Li CHEN as the chairman of the committee. The primary functions of the strategy committee is to review and advise on our mid to long term strategic positioning and development plans and to monitor the implementations of our development plans.

CORPORATE GOVERNANCE

Our Company intends to comply with all code provisions under the Corporate Governance Code after the Listing.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, and (ii) a confidentiality, invention assignment and non-solicitation 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.

- *Terms:* We normally enter into three to five years employment contract with our senior management members and other key personnels.

- *No conflict:* During the term of the employment, the employee shall work on a full-time basis for us and shall not, without express prior written approval from the Company, engage in any other employment or service relationship with any entity or person, or engage in any business that competes with our business.

Confidentiality

- *Confidential information:* The employee shall keep confidential information, including but not limited to our inventions, trade secrets, knowledge or data or any such information of our business partners (including clients, customers and consultants) in confidence.

- *Obligation and duration:* The employee shall not, for the term of their employment and thereafter, directly or indirectly, use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of any confidential information, unless our prior written consent is obtained, such information are already in the public domain other than as a result of a breach of any confidential obligations or where the employee can show by documentary evidence that such information are known by the employee prior to obtaining such information from the Company.

Invention assignment

- *Acknowledgement:* The employee acknowledges and agrees that we shall have a complete, absolute and exclusive interest in the work that they produce, solely or jointly with others, (i) that relates to our work, (ii) that is developed in whole or in part using our equipment or confidential information or (iii) that results from any task assigned to the employee or are otherwise within the employee's scope of work.

- *Assignment:* The employee agree to assign, upon entering into the agreement, any rights, title or interest falling within the above scope to us. The employee further agree to grant an exclusive, royalty-free, assignable, irrevocable and worldwide license to us for any such rights that cannot be assigned to us.

- *Duration:* This obligation shall subsist throughout the period of employment and up to one year after termination of employment for any work that are related to the employee's work and activity during their employment.

Non-solicitation

- *Obligation:* The employee agrees that they shall not, either on their own or on another person's behalf, directly or indirectly, (i) solicit, induce, recruit or encourage any of our employees to leave their employment; and (ii) solicit or otherwise induce or influence our clients or customers to restrict or cancel their business relationship with us.

- *Duration:* This obligation shall subsist throughout the period of employment as well as the two years following the termination of the employment relationship.

DEED OF NON-COMPETITION

On August 29, 2018, Dr. Chen entered into a deed of non-competition (the "Deed of Non-Competition") in favor of our Company, pursuant to which he irrevocably undertake that during the Restricted Period (as defined below), he will not, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with our core business, being diabetes treatment business (including without limitation research and development relating to diabetes treatment) (the "Restricted Business") or own any rights or interests in such businesses.

Dr. Chen has further irrevocably undertaken that during the Restricted Period, he should to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities (a "New Business Opportunities") related to the Restricted Business become available to him:

(i) He will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing ("Offer Notice") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group.

(ii) Upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform him in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued.

(iii) Only when (a) Dr. Chen has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our core business; or (b) he has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then he is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by him, referral of the revised New Business Opportunities shall be made by him to us again in the manner as stated above.

The undertakings under the Deed of Non-competition are not applicable when the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company.

Pursuant to the Deed of Non-Competition, the Restricted Period refers to the period commencing from the Listing Date and ends on the following dates (whichever is earlier):

(i) the date when the shares of our Company cease to be listed on the Stock Exchange; and

(ii) the date when Dr. Chen ceases to be a director or a senior management of our Group.

SHARE INCENTIVE SCHEMES

We have adopted the Pre-IPO Share Incentive Scheme. The principal terms of the Pre-IPO Share Incentive Scheme are summarized in the section headed "Statutory and General Information D. Share Incentive Schemes 1. Pre-IPO Share Incentive Scheme" in Appendix IV of this prospectus.

We have conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Post-IPO Share Option Scheme are summarized in the section headed "Statutory and General Information D. Share Incentive Schemes 2. Post-IPO Share Option Scheme" in Appendix IV of this prospectus.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration which was paid to our Directors for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 were approximately RMB3.5 million, RMB4.0 million and RMB1.1 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB16.92 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2018 under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (including both employees and Directors) for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 were approximately RMB10.06 million, RMB10.62 million and RMB5.0 million, respectively.

During the Track Record Period, an aggregate amount of US$2 million was conditionally paid to our Directors and the five highest paid individuals as an inducement to join, or upon joining, the Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of our Directors waived any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 12 of the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

So far as our Directors are aware, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares to be allotted and issued under the Post-IPO Share Option Scheme, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Capacity/nature of interest	Number of Shares held as of the Latest Practicable Date[9] [10]	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date	Number of Shares held immediately following completion of the Capitalization Issue and the Global Offering[9][10]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the Capitalization Issue and the Global Offering
ARCH Venture Fund VII, L.P.[1]	Beneficial interest	8,339,264(L)	13.21%	125,088,960(L)	11.89%
Robert Taylor Nelsen[1]	Interest in controlled corporation	8,339,264(L)	13.21%	125,088,960(L)	11.89%
Keith Crandell[1]	Interest in controlled corporation	8,339,264(L)	13.21%	125,088,960(L)	11.89%
Clint Bybee[1]	Interest in controlled corporation	8,339,264(L)	13.21%	125,088,960(L)	11.89%
Venrock Associates V, L.P.[2]	Beneficial interest	6,898,373(L)	10.92%	103,475,595(L)	9.84%
Venrock Management V, LLC[2]	Interest in controlled corporation	6,898,373(L)	10.92%	103,475,595(L)	9.84%
Venrock Partners V, L.P.[2]	Beneficial interest	6,898,373(L)	10.92%	103,475,595(L)	9.84%
Venrock Partners Management V, LLC[2]	Interest in controlled corporation	6,898,373(L)	10.92%	103,475,595(L)	9.84%
Venrock Entrepreneurs Fund V, L.P.[2]	Beneficial interest	6,898,373(L)	10.92%	103,475,595(L)	9.84%
VEF Management V, LLC[2]	Interest in controlled corporation	6,898,373(L)	10.92%	103,475,595(L)	9.84%
Impresa Fund III Limited Partnership[3][4]	Interest in controlled corporation	7,038,736(L)	11.15%	105,581,040(L)	10.04%
Impresa Management LLC[3][4]	Interest in controlled corporation	7,038,736(L)	11.15%	105,581,040(L)	10.04%

Name	Capacity/nature of interest	Number of Shares held as of the Latest Practicable Date[9] [10]	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date	Number of Shares held immediately following completion of the Capitalization Issue and the Global Offering[9][10]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the Capitalization Issue and the Global Offering
Abigail P. Johnson[3][4]	Trustee	7,038,736(L)	11.15%	105,581,040(L)	10.04%
Edward C. Johnson IV[3][4]	Trustee	7,038,736(L)	11.15%	105,581,040(L)	10.04%
FMR LLC[3][4]	Interest in controlled corporation	7,038,736(L)	11.15%	105,581,040(L)	10.04%
FIL Limited[3][5]	Interest in controlled corporation	7,179,098(L)	11.37%	107,686,470(L)	10.24%
Pandanus Partners L.P.[3][5]	Interest in controlled corporation	7,179,098(L)	11.37%	107,686,470(L)	10.24%
Pandanus Associates Inc.[3][5]	Interest in controlled corporation	7,179,098(L)	11.37%	107,686,470(L)	10.24%
Wuxi Pharmatech Healthcare Fund I L.P.[6]	Beneficial interest	4,935,309(L)	7.82%	74,029,635(L)	7.04%
WuXi AppTec Co., Ltd.[6]	Interest in controlled corporation	4,935,309(L)	7.82%	74,029,635(L)	7.04%
Ge Li[6]	Beneficial interest	1,867,678(L)	2.96%	28,015,170(L)	2.66%
	Interest in controlled corporations	4,935,309(L)	7.82%	74,029,635(L)	7.04%
Ning Zhao[6]	Beneficial interest	1,867,678(L)	2.96%	28,015,170(L)	2.66%
	Interest in controlled corporations	4,935,309(L)	7.82%	74,029,635(L)	7.04%
Harvest Yuanxiang (Cayman) Limited[7]	Beneficial interest	4,377,724(L)	6.93%	65,665,860(L)	6.24%
Harvest Investment Management Co., Ltd (嘉實投資管理有限公司)[7]	Interest in controlled corporation	4,377,724(L)	6.93%	65,665,860(L)	6.24%
The Core Trust Company Limited[8]	Trustee	7,800,000(L)	12.35%	117,000,000(L)	11.12%
HLYY Limited[8]	Nominee of a trust	7,800,000(L)	12.35%	117,000,000(L)	11.12%

Notes:

1. To the best of our Directors' knowledge, ARCH Venture Fund VII, L.P. is a Delaware limited partnership established in the United States. The general partner of ARCH Venture Fund VII, L.P. is ARCH Venture Partners VII, L.P., a Delaware limited partnership established in the United States. The general partner of ARCH Venture Partners VII, L.P. is ARCH Venture Partners VII, LLC, a limited liability company incorporated in the United States. ARCH Venture Partners VII, LLC is controlled as to one-third by each of Mr. Robert Taylor Nelsen, our non-executive Director, Mr. Keith Crandell and Mr. Clint Bybee. As such, each of ARCH Venture Partners VII, L.P., ARCH Venture Partners VII, LLC, Mr. Robert Taylor Nelsen, Mr. Keith Crandell and Mr. Clint Bybee is deemed to be interested in the equity interest held by ARCH Venture Fund VII, L.P. and the ultimate controllers of ARCH Venture Fund VII, L.P. are Mr. Robert Taylor Nelsen, Mr. Keith Crandell and Mr. Clint Bybee.

2. To the best of our Directors' knowledge, each of the Venrock Entities, Venrock Associates V, L.P., Venrock Partners V, L.P. and Venrock Entrepreneurs Fund V, L.P. is an exempted limited partnership established in the United States. The general partner of Venrock Associates V, L.P. is Venrock Management V, LLC, an exempted limited liability company established in the United States. The general partner of Venrock Partners V, L.P. is Venrock Partners Management V, LLC, an exempted limited liability company established in the United States. The general partner of Venrock Entrepreneurs Fund V, L.P. is VEF Management V, LLC, an exempted limited liability company established in the United States. Each of Venrock Management V, LLC, Venrock Partners Management V, LLC and VEF Management V, LLC ("Venrock GP Entities") is ultimately controlled by the same group of individuals, none of whom controls, directly or indirectly, one-third or more of the voting power at the general meetings of a Venrock GP Entity or otherwise is deemed to control a Venrock GP Entity under the SFO.

3. To the best of our Directors' knowledge, Asia Ventures II L.P. is a limited partnership established in Bermuda and will hold approximately 5.12% of the voting rights of the Company immediately upon completion of the Global Offering. Further, F-Prime Capital Partners Healthcare Fund II LP is a limited partnership established in Delaware and will hold approximately 4.92% of the voting rights of the Company immediately upon completion of the Global Offering.

4. To the best of our Directors' knowledge, Impresa Fund III Limited Partnership is deemed to be interested in the equity interests held by both Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund II LP due to its interests in each of Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund II LP as a limited partner. The general partner of Impresa Fund III Limited Partnership is Impresa Management LLC, which is controlled (as defined under the SFO) by each of Abigail P. Johnson and Edward C. Johnson IV and owned, directly or indirectly, by various shareholders and employees of FMR LLC. Further, the general partner of F-Prime Capital Partners Healthcare Fund II LP is F-Prime Capital Partners Healthcare Advisors Fund II LP, whose general partner is Impresa Management LLC.

   As such, under the SFO, Impresa Fund III Limited Partnership, Impresa Management LLC, Abigail P. Johnson, Edward C. Johnson IV and FMR LLC are deemed interested in our Shares held by Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund II LP, which collectively will hold 10.04% of the voting rights of the Company immediately upon completion of the Global Offering.

5. To the best of our Directors knowledge, Eight Roads Investments Limited is a company limited by shares incorporated in Bermuda and will hold approximately 0.20% of the voting rights of the Company upon completion of the Global Offering.

   To the best of our Directors' knowledge, FIL Limited is deemed to be interested in the equity interests held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP and Eight Roads Investments Limited due to (i) its interests in Asia Ventures II L.P. as a limited partner and the fact that it is the sole shareholder of FIL Capital Management Ltd, the general partner of Asia Partners II L.P., which in turn is the general partner of Asia Ventures II L.P.; (ii) its interests in F-Prime Capital Partners Healthcare Fund II LP as a limited partner; and (iii) the fact that Eight Roads Investments Limited is its wholly-owned subsidiary. FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc..

As such, under the SFO, FIL Limited, Pandanus Partners L.P., and Pandanus Associates Inc. are deemed interested in our Shares held by Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP and Eight Roads Investments Limited, which collectively will hold 10.24% of the voting rights of the Company immediately upon completion of the Global Offering.

6. As at the Latest Practicable Date, Dr. Ge Li and his wife Dr. Ning Zhao collectively hold 1,867,678 Shares of the Company. To the best of our Directors' knowledge, the general partner of Wuxi Pharmatech Healthcare Fund I L.P. is Wuxi Pharmatech Fund I General Partner L.P., a limited partnership established in the Cayman Islands whose general partner is Wuxi Pharmatech Investments (Cayman) Inc., an exempted limited liability company established in the Cayman Islands. Wuxi Pharmatech Investments (Cayman) Inc. is a wholly-owned subsidiary of Wuxi Pharmatech Investment Holdings (Cayman) Inc., which is in turn wholly-owned by Wuxi AppTec International Holdings Limited, which is in turn wholly-owned by WuXi AppTec Co., Ltd. As Dr. Ge Li, Dr. Ning Zhao and their concert parties controls over 30% in WuXi AppTec Co., Ltd., Dr. Ge Li and Dr. Ning Zhao are deemed to be interested in our Shares held by Wuxi Pharmatech Healthcare Fund I L.P. and are its ultimate controllers.

7. As of the Latest Practicable Date, Harvest Yuanxiang (Cayman) Limited was an indirectly wholly-owned subsidiary of Shenzhen Jiashi Yuanxiang Venture Capital Investment Partnership (LP) (深圳嘉實元祥股權投資合夥企業 (有限合夥)). The general partner of Shenzhen Jiashi Yuanxiang Venture Capital Investment Partnership (LP) was Harvest Investments Management Co., Ltd. (嘉實投資管理有限公司), a limited liability company incorporated in the PRC and the ultimate controller of Harvest Yuanxiang (Cayman) Limited.

8. The Core Trust Company Limited is the sole shareholder of HLYY Limited, which holds the Shares underlying the option and awards granted under the Pre-IPO Share Incentive Scheme.

9. The letter "L" denotes the person's long position in the Shares.

10. Assuming all Preferred Shares are converted into ordinary Shares.

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 prior to and immediately following the completion of the Global Offering:

Authorized share capital		*Aggregate par value (US$)*
150,000,000	shares of par value of US$0.001 each as at the Latest Practicable Date	150,000.00
2,000,000,000	Shares immediately prior to the completion of the Global Offering	2,000,000.00

Issued and to be issued, fully paid or credited as fully paid immediately upon completion of the Global Offering

63,143,820	Shares in issue as at the date of this prospectus (assuming all Preferred Shares are converted into ordinary Shares)	63,143.82
884,013,480	Shares to be issued pursuant to the Capitalization Issue	884,013.48
104,756,000	Shares to be issued under the Global Offering	104,756.00
1,051,913,300	Total	1,051,913.30

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above table does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Shares which may be allotted and issued the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE INCENTIVE SCHEMES

We have adopted the Pre-IPO Share Incentive Scheme. The principal terms of the Pre-IPO Share Incentive Scheme are summarized in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-IPO Share Incentive Scheme" in Appendix IV of this prospectus.

We have conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Post-IPO Share Option Scheme are summarized in the section headed "Statutory and General Information — D. Share Incentive Schemes — 2. Post-IPO Share Option Scheme" in Appendix IV of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon Listing and assuming all Preferred Shares are converted into ordinary Shares, 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 the Company and Cayman Islands Company Law — 2. Articles of Association — 2.1 Classes of Shares" in Appendix III of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering; and

(b) the nominal amount of our share capital repurchased by the Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the Over-allotment Option or the Shares that may be allotted and issued under the Post-IPO Share Option Scheme.

This mandate to issue Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders of the Company Passed on August 26, 2018" in Appendix IV of this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Shares that maybe alloted and issued under the Post-IPO Share Option Scheme).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Repurchase of Our Shares".

This general mandate to repurchase Shares will remain in effect until:

(a) at the conclusion of our next annual general meeting; or

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders of the Company Passed on August 26, 2018" in Appendix IV of this prospectus.

Our Group has entered into the following transactions with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transaction under the Listing Rules.

Our Connected Persons

We have entered into certain transactions with the following entities which are associates of Dr. Ge Li, a director of our Company in the past 12 months, during the Track Record Period in our ordinary and usual course of business and such transactions are expected to continue after the Listing.

- WuXi AppTec Co., Ltd. ("WuXi AppTec")

  WuXi AppTec is indirectly owned as to more than 30% by Dr. Ge Li and his concert parties. Accordingly, WuXi AppTec is an associate of Dr. Ge Li and a connected person of our Company upon Listing. WuXi AppTec is a PRC incorporated company and a leading global pharmaceutical and medical device open-access capability and technology platform with global operations. Its shares are listed on the Shanghai Stock Exchange.

- Shanghai SynTheAll Pharmaceutical Co., Ltd. ("Shanghai STA")

  Shanghai STA is an indirect subsidiary of WuXi AppTec and indirectly owned as to more than 30% by Dr. Ge Li and his concert parties. Accordingly, Shanghai STA is an associate of Dr. Ge Li and a connected person of our Company upon Listing. Shanghai STA is a PRC incorporated company and a global leading small molecule pharmaceutical development and manufacturing capability and technology platform company serving the life science industry. Its shares are listed on the National Equities Exchange and Quotation.

Non-exempt Continuing Connected Transactions

1. **Framework Agreement for Non-Clinical Studies Service with WuXi AppTec**

Parties: Hua Shanghai and WuXi AppTec

Reasons for the transactions: As we are a drug development company in the early stages of development, we need various services in connection with non-clinical studies as part of our development process. Such services require sophisticated and specialized technologies that are better handled by service providers equipped with suitable laboratories, or better technical services capabilities. As such, we typically outsource such services to the WuXi AppTec, which is one of the leading biologics services provider and has one of the leading non-clinical studies support capabilities in the industry which will most appropriately suit our needs.

Major terms: We entered into framework agreement for non-clinical studies service with WuXi AppTec dated August 26, 2018 ("Framework Agreement for Non-Clinical Studies Service"), pursuant to which the WuXi AppTec and its subsidiaries (the "WuXi AppTec Group") will provide certain

services for non-clinical studies to our Group. The major terms of the Framework Agreement for Non-Clinical Studies Service are as follows:

- the WuXi AppTec Group provides certain services for non-clinical studies to our Group. Such services include but are not limited to pharmacological testing, radiolabeled compound synthesis and autoradiography studies;

- with respect to specific service requests that may be identified in future, our Group members and the relevant members of the WuXi AppTec Group will enter into separate individual agreements or work orders to provide for the specific terms and conditions including service scope, service fee and other terms, subject to and in accordance with the Framework Agreement for Non-Clinical Studies Service;

- **pricing policy**: services fees will be charged at rates no less favourable than rates at which our Group pays independent third parties for comparable transactions and will be determined by the relevant parties through arm's length negotiation based on a number of factors applicable to all service providers, including but not limited to the nature, complexity and value of tasks completed by WuXi AppTec Group at each stage under each work order, the resources spent on providing specific service, the fees charged for historical transactions of similar nature and the then prevailing market rates; and

- the Framework Agreement for Non-Clinical Studies Service is effective from the Listing Date until December 31, 2018 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Historical amount: For the year ended December 31, 2016 and December 31, 2017 and the three months ended March 31, 2018, the total amount of service fees incurred by our Group to the WuXi AppTec Group was approximately RMB7.5 million, RMB2.9 million and RMB0.1 million, respectively. There was a decrease in the service fees incurred during the Track Record Period due to the completion of certain toxicology trials in 2016 and 2017 respectively.

Annual cap: For the year ending December 31, 2018, the total amount payable by our Group to the WuXi AppTec Group for the services under the Framework Agreement for Non-Clinical Studies Service is not expected to exceed RMB6.5 million.

Basis of cap: The above proposed annual caps are set based on the following factors: (i) the historical transaction amount paid by our Group to the WuXi AppTec Group; and (ii) the volume of services our Group expects to procure from the WuXi AppTec Group for non-clinical studies involving Dorzagliatin and potential new projects.

2. **Framework Agreement for Clinical Trials Management Services with WuXi AppTec**

Parties: Hua Shanghai and WuXi AppTec

Reasons for the transactions: As we are a drug development company in the early stages of development, various clinical trial services are essential to our development process and such clinical trial services require sophisticated technologies and knowledge that are better handled by service providers with such capabilities. As such, we typically outsource such services to the WuXi AppTec Group. We believe the WuXi AppTec Group has one of the leading clinical trial, research and coordination capabilities in the industry which will most appropriately suit our needs.

Major terms: We entered into framework agreement for clinical trials management services with WuXi AppTec dated August 26, 2018 ("Framework Agreement for Clinical Trials Management Services"), pursuant to which the WuXi AppTec Group will provide certain clinical trials management services to our Group. The major terms of the Framework Agreement for Clinical Trials Management Services are as follows:

- the WuXi AppTec Group provides certain clinical trials management services to our Group, including but not limited to coordinating clinical research, providing integrated research services, designing, implementing and managing clinical development programs;

- with respect to specific service requests that may be identified in future, our Group members and the relevant members of the WuXi AppTec Group will enter into separate individual agreements or work orders to provide for the specific terms and conditions including service scope, service fee and other terms, subject to and in accordance with the Framework Agreement for Clinical Trials Management Services;

- **pricing policy**: services fees will be charged at rates no less favourable than rates at which our Group pays independent third parties for comparable transactions and will be determined by the relevant parties through arm's length negotiation based on a number of factors applicable to all service providers, including but not limited to the nature, complexity and value of tasks completed by WuXi AppTec Group at each stage under each work order, the personnel and working hours estimated to be equipped and spent on providing specific service, the fees charged for historical transactions of similar nature and the then prevailing market rates; and

- the Framework Agreement for Clinical Trials Management Services is effective from the Listing Date until December 31, 2018 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Historical amount: For the year ended December 31, 2016 and 2017 and the three months ended March 31, 2018, the total amount incurred by our Group for the services provided by the WuXi AppTec Group was approximately RMB1.9 million, RMB9.7 million and RMB6.7 million, respectively. The substantial increase in the service fees during the Track Record Period was due to the increased costs associated with the initiation of Phase III trials in third quarter of 2017, additional Phase I trials conducted in 2017 and the advancement of Phase III trials in 2018.

Annual cap: For the year ending December 31, 2018, the total amount payable by our Group to the WuXi AppTec Group for the services under the Framework Agreement for Clinical Trials Management Services is not expected to exceed RMB50.5 million.

Basis of cap: The above proposed annual caps are set based on the following factors: (i) the historical transaction amount paid by our Group to the WuXi AppTec Group; and (ii) the volume of clinical trials management services our Group expects to procure from the WuXi AppTec Group for the two phase III clinical trials for Dorzagliatin in 2018.

3. **Framework Agreement for Process Development and Manufacturing Services with Shanghai STA**

Reasons for the transactions: As disclosed in the section headed "Business — Manufacturing", the CFDA has granted us a MAH certification for Dorzagliatin, which allows us, as a drug license holder, to use a qualified CMO to meet our manufacturing needs. Shanghai STA is a qualified CMO in China, has the relevant manufacturing capabilities, and a long history of experience in working with Dorzagliatin. Its experience with Dorzagliatin predates our acquisition of the molecule from Roche by several years.

Parties: Hua Shanghai and Shanghai STA

Major terms: We entered into process development and manufacturing services framework agreement with Shanghai STA dated August 26, 2018 ("Framework Agreement for Process Development and Manufacturing Services"), pursuant to which the Shanghai STA, its indirect holding company, WuXi AppTec, and its subsidiaries (the "STA Group") will provide certain manufacturing services to our Group. The major terms of the Framework Agreement for Process Development and Manufacturing Services are as follows:

- the STA Group provides certain process development and manufacturing services to our Group, including but not limited to provision of APIs for clinical trials;

- with respect to specific service requests that may be identified in future, our Group members and the relevant members of the STA Group will enter into separate individual agreements or work orders to provide for the specific terms and conditions including service scope, service fee and other terms, subject to and in accordance with the Framework Agreement for Process Development and Manufacturing Services;

- **pricing policy**: services fees will be charged at rates no less favourable than rates at which our Group pays independent third parties for comparable transactions and will be determined by the relevant parties through arm's length negotiation based on a number of factors applicable to all service providers, including but not limited to the nature, complexity, and value of tasks completed by the STA Group at each stage under each work order, the market rates, quantity and sourcing of materials, the method of delivery, the fees charged for historical transactions of similar nature and the then prevailing market rates; and

- the Framework Agreement for Process Development and Manufacturing Services is effective from the Listing Date to December 31, 2018 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Historical amount: For the year ended December 31, 2016 and 2017 and the three months ended March 31, 2018, the total amount incurred by our Group for the services provided by the STA Group was approximately RMB16.0 million, RMB17.3 million and RMB1.6 million, respectively. The historical amount for the three months ended March 31, 2018 is substantially lower than that for the year ended December 31, 2016 and 2017 since the clinical manufacturing services which our Group expects to procure from the STA Group in 2018 for the preparation of NDA filing of Dorzagliatin will be delivered after the first quarter of 2018.

Annual cap: For the year ending December 31, 2018, the total amount payable by our Group to the STA Group for the services under the Framework Agreement for Process Development and Manufacturing Services is not expected to exceed RMB62.1 million.

Basis of cap: The above proposed annual caps are set based on the following factors: (i) the historical transaction amount paid by our Group to the STA Group; and (ii) the volume of clinical manufacturing services our Group expects to procure from the STA Group in 2018 for the preparation of NDA filing of Dorzagliatin.

Internal Control Measures for Non-exempt Continuing Connected Transactions

For non-exempt continuing connected transactions under the Framework Agreement for Non-Clinical Studies Services, the Framework Agreement for Clinical Trials Management Services and the Framework Agreement for Process Development and Manufacturing Services, we have established the following internal review procedures to ensure that the pricing under the non-exempt continuing connected transactions is fair and reasonable:

- If a comparable market price is available, we shall compare the proposed service fee against market price to ensure that the proposed service fee will not be higher than the service fee for similar nature of service provided by independent third-party providers;

- Before selecting a service provider, our sourcing department shall obtain price quotations from certain independent third-party providers. The factors to be considered by us in conducting internal assessments include service fee, quality of service, and value added to us;

- If no comparable market price is available, our sourcing department shall conduct arm's length negotiation with the relevant connected person to determine the terms in line with the relevant pricing policies based on the value of the relevant service and the actual costs and expenses incurred;

- After arm's length negotiation with the relevant connected person, our sourcing department will report to our senior management who will approve individual transactions as appropriate;

- The financial management department is responsible for preparing the accounting records, accounting, reporting, and statistical analysis of the continuing connected transactions, and for submitting the same to the Board for filing on a regular basis. The financial management department will also regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment on whether the annual caps are exceeded;

- The legal affairs department is responsible for identifying and reviewing the list of connected persons and the continuing connected transactions, and submitting the same to the Board for filing on a regular basis;

- Our audit committee shall conduct periodic examination of the overall situation of the continuing connected transactions, and report the review opinions to the Board;

- Our independent non-executive Directors will also conduct annual review on the non-exempt continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable, and conducted according to the terms of the relevant framework agreement; and

- The auditor of our Company shall issue a letter to the Board to express opinions on the continuing connected transactions of the Group on an annual basis. The Company shall allow its auditor to review and check the relevant accounts to facilitate them to express opinions.

Confirmation of Directors

Our Directors (including independent non-executive Directors) consider that the above non-exempt continuing connected transactions have been and will be entered into in our Group's ordinary and usual course of business and on normal commercial terms, are fair and reasonable, and in the interest of our Company and Shareholders as a whole. The proposed annual caps in respect of the non-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Confirmation of Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us in relation to the non-exempt continuing connected transactions as set out above, and have also discussed these transactions with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable, and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for such transactions are fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange

Under Rules 14A.81 and 14A.82(1) of the Listing Rules, as the Framework Agreement for Non-Clinical Studies Service, the Framework Agreement for Clinical Trials Management Services and the Framework Agreement for Process Development and Manufacturing Services are all entered into within a 12-month period with counterparties that are related to each other, the non-exempt continuing connected transactions thereunder shall be aggregated as if they were one transaction.

Although the revenue ratio and the profit ratio are not applicable given that the Company is a pre-revenue biopharmaceutical company and has been loss-making during the Track Record Period, the assets ratio remains applicable and does not produce any anomalous result. In respect of the transactions under the services for Framework Agreement for Non-Clinical Studies Service, the Framework Agreement for Clinical Trials Management Services and the Framework Agreement for Process Development and Manufacturing Services, the assets ratio is more than 5%, the transactions contemplated thereunder are subject to the announcement, circular, independent shareholders' approval, annual review and annual reporting requirements under Rule 14A.35, Rule 14A.36, Rule 14A.46, Rule 14A.49, 14A.55 and Rule 14A.71 of the Listing Rules.

We have applied for and the Stock Exchange has granted a waiver to us from strict compliance with the announcement, circular and independent shareholders' approval requirement under the Listing Rules in respect of the transactions under the Framework Agreement for Non-Clinical Studies Service, the Framework Agreement for Clinical Trials Management Services and the Framework Agreement for Process Development and Manufacturing Services, provided that the total transaction amount of the transactions thereunder for the year ending December 31, 2018 will not exceed the relevant proposed annual cap set forth above.

In addition, our Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions.

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by International Financial Reporting Interpretation Committee (IFRIC) applicable to companies reporting under IFRS.

You should read the following discussion and analysis in conjunction with our consolidated financial information as of and for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018 included in the accountants' report set out in Appendix I to this prospectus, together with the respective accompanying notes. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

Overview

We are a pre-revenue China-based drug development company currently focused on developing Dorzagliatin, a first-in-class oral drug for the treatment of Type 2 diabetes. We acquired the rights to Dorzagliatin from Roche as an early stage drug candidate in 2011. Combining (i) the strength and focus of our founder (namely Dr. Li Chen, who along with other Hua team members was involved in the advancement of Dorzagliatin during his prior tenure at Roche), our highly experienced team of scientists, and our portfolio advisory board with (ii) the scale and expertise of an extensive and growing network of qualified, highly experienced CROs, SMOs and CMOs, we advanced Dorzagliatin from non-clinical stage to proof of concept in approximately 36 months, utilizing approximately US$50 million.

We are currently conducting two Phase III trials in China, with Dorzagliatin both as a monotherapy and in combination with metformin. We expect to complete Phase III patient enrollment in China by the first half of 2019, to announce Phase III results by the second half of 2019, to file for NDA approval on a rolling basis with the CDA by 2019, and to achieve CDA approval by the end of 2020 or the first half of 2021. Upon receipt of positive Phase III data, we plan to partner with international pharmaceutical companies to make our drug available to patients outside of China. This will include partnerships for conducting clinical trials and navigating the drug approval process, as well as for the marketing and commercialization of Dorzagliatin outside of China.

As of June 30, 2018, we had 90 employees, including 63 scientists, up from 32 employees and 75 employees at December 31, 2016 and 2017, respectively. Of our 63 scientists as of June 30, 2018, 28 had a master's degree and 18 had a doctorate degree. Our management and other employees carefully select, train and supervise our CROs, SMOs and CMOs. These service providers provide us with a range of services at a consistently high level of quality as needed. We do not own or plan to acquire our own manufacturing capabilities in the near-term. Instead, the CFDA has granted us MAH certification for Dorzagliatin, allowing us to use our qualified CMOs to meet our manufacturing needs. In anticipation of favorable Phase III results, we expect that we will need to rapidly increase the scale of our production of APIs following commercialization from hundreds of kilograms per year to meet our current requirements to hundreds of tons upon full commercialization. Substantially all the related costs will appear on our income statement as a cost of revenue.

To date, we have not yet generated any revenues from the sale of goods or from the rendering of services, recognizing only limited income in the form of government grants and investment income. As of March 31, 2018, we had an accumulated deficit of RMB1,260.0 million and expect to incur significant losses for the foreseeable future with no product revenues prior to obtaining marketing approval for Dorzagliatin, satisfying any post-marketing requirements, and commercializing Dorzagliatin. Our expected losses will include significant costs and expenses associated with: (i) expenses incurred for payments to CROs and SMOs, PIs, and clinical trial sites that conduct Dorzagliatin's Phase III clinical trials; (ii) commercialization activities in anticipation of CDA approval, including continued post-marketing clinical trials, securing commercial scale manufacturing capabilities through our CMOs, and measures to build a specialized China-focused sales team; (iii) expanded headcount, including significant, non-cash share-based compensation charges; (iv) licensing and partnership opportunities directly relating to diabetes or new therapeutic areas for which we believe there is an unmet medical need; (v) changes in the fair value of our redeemable convertible preferred shares before converting into Shares upon the earlier of the closing of a Qualified Initial Public Offering, or the date specified by written consent or agreement of majority holders of redeemable convertible preferred shares; and (vi) the additional costs associated with being a public company upon the completion of the Global Offering.

As of March 31, 2018, we had RMB836.1 million in bank balance and cash. If completed, the net proceeds to us from the Global Offering will be an important source of funds for our development and commercialization of Dorzagliatin. For more information on the nature of the intended uses for the proceeds from the Global Offering, see "Future Plans and Use of Proceeds."

Factors Affecting Our Results of Operations

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below:

Research and Development (R&D) Expenses

Since our inception, we have focused our resources on our R&D activities, including conducting non-clinical studies and clinical trials, manufacturing development efforts, and activities related to regulatory filings for our drug candidate, Dorzagliatin. All research costs are charged to the consolidated statement of profit or loss as incurred. R&D expenses are capitalized and deferred only when we can demonstrate the technical feasibility of completing the new product development program so that the new pharmaceutical product will be available for use or sale, our intention to complete the development program, and our ability to use or sell the new pharmaceutical product, how the new pharmaceutical product will generate future economic benefits, the availability of resources to complete the development program, and the ability to measure reliably the expenditure during the development. R&D expenses which do not meet these criteria are expensed when incurred. We did not capitalize any of our R&D expenses during the Track Record Period because the technical feasibility cannot be convincingly established before obtaining regulatory approval for our drug candidate.

In 2016 and in the first half of 2017, our R&D expenses related primarily to our non-clinical studies, Phase I and Phase II trials for Dorzagliatin. Our non-clinical studies evaluated the effects of Dorzagliatin in animals, while our Phase I and Phase II trials involved relatively limited numbers of human patients, and in turn, a relatively limited number of CROs and SMOs to carry out the studies, as well as relatively limited manufacturing costs to provide non-clinical and clinical study materials. In August 2017, our Phase II trial resulted in proof-of-concept, a significant milestone event triggering increased R&D investment as we advanced Dorzagliatin to Phase III clinical trials.

As a result, our R&D expenses increased from RMB75.3 million in 2016 to RMB125.3 million in 2017. We expect our R&D expenses to continue to increase in 2018 as we realize the full-year effects of new R&D hires in 2017, and as we increase staff to carry out our Phase III trials, and in anticipation of the NDA process and planned commercialization of Dorzagliatin. In particular, expenditures for our Phase III clinical trials are expected to be significantly higher than those for our Phase II trial, since our Phase III trials will involve approximately 1,200 patients and 110 clinical sites compared to 258 patients and 22 clinical sites for our Phase II trial. More specifically, we expect our R&D expenses to include:

- expenses incurred for payments to CROs, SMOs, investigators and clinical trial sites that conduct our clinical studies;
- manufacturing clinical study materials, paid to our CMOs;
- employee compensation related expenses, including salaries, benefits and share-based compensation expenses;
- certain milestone payments to Roche as licensor for Dorzagliatin; and
- facilities, depreciation, and other expenses, including office leases and other overhead expenses.

Government Grants

We receive grants from the PRC national and local governments in the form of cash subsidies to support our R&D programs, substantially all of which are to compensate us for research. We recognized RMB0.6 million, RMB10.5 million and RMB5.8 million in government grants in 2016, 2017 and the three months ended March 31, 2018, respectively. We do not recognize government grants until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received. Specifically, government grants whose primary condition is that we should purchase, construct, or otherwise acquire plant and equipment are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. The government grants whose primary condition is to compensate for research projects or other than purchase, construct or otherwise acquire long-term assets are designated as grants related to income. Some of the grants related to income have future related costs expected to be incurred, and require the Group to comply with

conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss when related costs are subsequently incurred and we received government acknowledgement of compliance.

Administrative Expenses

Our administrative expenses consist primarily of salaries, benefits and related costs for employees in executive, finance, and human resources, and administrative support functions. Other significant administrative expenses include accounting and legal services, cost of various consultants, occupancy costs, and information systems.

In anticipation of the Global Offering, we have made significant additions to our financial and accounting infrastructure. We also expect to make additional hires in 2018 related to the commercial launch of Dorzagliatin in corporate finance, market research and legal functions, and, in anticipation of CDA approval, the hiring of sales personnel in the second half of 2019. We expect that our 2018 administrative expenses will include significant cash and non-cash, share-based compensation charges related to our employment arrangements with our senior management.

We expect that our administrative expenses will increase as we operate as a public company upon the completion of the Global Offering and commercialize Dorzagliatin. We believe that these increases will likely include increased costs for director and officer liability insurance, costs related to the hiring of additional personnel and increased fees for outside consultants, lawyers, and accountants. We also expect to incur additional costs related to providing an investor relations function, implementing a system of internal control over financial reporting and a system of disclosure controls and procedures that are compliant with applicable requirements, complying with corporate governance requirements and other rules of the Stock Exchange and other similar requirements applicable to public companies.

Currency Exchange Rates

Our business mainly operates in the PRC, with most of our transactions settled in RMB. Since inception, we have financed our business solely through equity financings, with related proceeds paid in U.S. dollars and RMB. We converted a portion of those U.S. dollar proceeds to RMB immediately, with the remaining amounts placed in time deposits and additional conversions to RMB as needed. As described below, translation for financial statement presentation purposes of our assets and liabilities will expose us to currency-related gains or losses and the actual conversion of our U.S. dollar-denominated cash balances (including any HK dollar proceeds received from the Global Offering) into RMB will also expose us to currency exchange risk. We have not engaged in any foreign exchange hedging related activity.

Other Factors in Anticipation of or Post-NDA Approval of Dorzagliatin

In anticipation of, or following CDA approval of Dorzagliatin, which is not expected until 2020, our operating results (particularly the generation of product revenues) will depend on a variety of company-specific and macroeconomic factors. Company specific factors include:

- establishing Dorzagliatin (including any related combination therapy) as an accepted, or preferably a first-line, Type 2 diabetes treatment option in China;
- successfully launching commercial sales in China, including development of a China focused sales team or distribution network (possibly through potential acquisitions);
- licensing and milestone payments tied to sales and NDA approval in China and other jurisdictions;
- our ability to partner with other pharmaceutical companies and collaboration partners in connection with the regulatory approval and commercialization of Dorzagliatin (including any related combination therapy) outside of China and the related economic and other terms;
- Dorzagliatin and any combination therapy maintaining an acceptable safety profile following regulatory approval;
- appropriately pricing Dorzagliatin and obtaining reimbursement from private and governmental third-party payors; and
- competition with existing and potential new Type 2 diabetes drugs (including potentially other GKAs) based on a composition of their respective efficacy and safety profiles.

Macroeconomic factors include:

- growth in the Type 2 diabetes patient population, particularly in China;
- governmental spending on healthcare and related healthcare policies in China; and
- changes in the diagnosis and treatment rates for Type 2 diabetes patients, particularly in China where these rates are significantly lower than those of developed countries, such as the United States.

License and Royalty Payments Relating to Dorzagliatin

Under our agreement with Roche, we are required to make various license and royalty payments based on specified milestones. We made an initial US$2 million upfront payment in March 2012 with an additional US$1 million payment in August 2017 (around the time when we began Phase III clinical trials in China). We are required to make additional milestone payments upon NDA filing and approval in certain countries or regions which may total up to US$37 million. Following commercialization, we

could be required to make additional milestone payments of US$55 million upon successful commercialization of Dorzagliatin. We are also obligated to make royalty payments at a rate in the high single digits, unless reduced under certain circumstances, on the net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed products, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. Our payments to Roche to date have been charged to R&D expenses as incurred. We expect the payments will be recorded as cost of revenue when the associated revenue is generated.

Early Application of IFRS 9

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments" for recognition and measurement for financial assets and liabilities. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to early apply IFRS 9, which has been applied consistently in the Track Record Period.

We have assessed the effects of early adoption of IFRS 9 on our financial statements and concluded that there was no significant impact on the Group's financial position and performance as compared to the requirements of IAS 39. Specifically:

(1) All our financial assets and financial liabilities would be measured on the same bases under IFRS 9 and IAS 39;

(2) The application of expected credit loss model under IFRS 9 would not cause a material impact on the impairment loss allowance for our financial assets measured at amortized cost during the Track Record Period as compared with the incurred loss model under IAS 39; and

(3) There are no fair value changes of our financial liabilities which we had designated as at FVTPL attributable to our credit risk change during the Track Record Period and thus the measurement difference for the fair value changes of our financial liabilities designated as at FVTPL attributable to the credit risk change under IFRS 9 and IAS 39 has no impact on our profit or loss during the Track Record Period.

Critical Accounting Policies and Significant Judgments and Estimates

We prepare our financial statements in conformity with IFRS as further set out in note 3 of Accountant's Report in Appendix I of this prospectus, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience, and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies, and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Share-based Compensation

Share Options Granted to Employees

Equity-settled share-based payment transactions with employees (including our Directors) are measured at the fair value of the equity instruments granted. The fair value determined at the grant date of the equity-settled share-based transaction is expensed in installments over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, we review our estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognized in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share option reserve will be transferred to retained earnings.

Share Options Granted to Consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the goods or services received, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses.

Research and Development Expenses

Major components of research and development costs include labor cost, costs of preclinical studies, clinical trials and related clinical manufacturing, costs of drug development, costs of materials and supplies, overhead costs, regulatory and compliance costs, and fees paid to consultants and other entities that conduct certain research and development activities on our behalf. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Clinical trial costs are a significant component of our research and development expenses. We record accruals based on estimates of the services received, efforts expended, and amounts owed pursuant to contracts with numerous contract research organizations. In the normal course of business, we contract with third parties to perform various clinical study activities in the ongoing development of our drug candidates. The financial terms of these agreements are subject to negotiation and variation from contract to contract, and may result in uneven payment flows. Payments under the contracts depend on factors such as the achievement of certain events and the completion of portions of the clinical study or similar conditions. The objective of our accrual policy is to match the recording of expenses in its financial statements to the actual services received and efforts expended. As such, expense accruals related to clinical studies are recognized based on our estimate of the degree of completion of the event or events specified in the specific clinical study. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we will modify the related accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain.

The process of estimating our accrued research and development expenses involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf, and estimating the level of service performed and the associated costs incurred for the services when we have not yet been invoiced or otherwise notified of the actual costs. The majority of our service providers require advance payments on a pre-determined schedule or when contractual milestones are met, though some invoice us in arrears for services performed. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting expenses that are too high or too low in any particular period. To date, we have not made any material adjustments to our prior estimates of accrued research and development expenses.

Loss on changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")

To date, we have raised US$210.5 million to fund our operations through the issuance of the Company's convertible redeemable preferred shares and subsidiary's ordinary shares with written put

options. These financial instruments will be converted into Shares upon the earlier of the closing of a qualified initial public offering, or the date specified by written consent or agreement of majority holders of redeemable convertible preferred shares. The fair value of these financial instruments is established by using valuation techniques. These techniques include back-solve method and adopted equity allocation models. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as fair value of our Shares, possibilities under different scenarios such as initial public offering, liquidation and redemption, risk free rate, volatility and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognized as finance cost in the consolidated income statements.

Our aggregate loss on changes in fair value of financial liabilities at fair value through profit and loss ("FVTPL") during the Track Record Period was RMB648.4 million. However, our convertible redeemable preferred shares will be automatically re-designated from liabilities to equity as a result of the automatic conversion into Shares upon Listing.

The change in outstanding balance of financial liabilities at FVPTL from RMB1,139 million as December 31, 2017 to RMB3,259 million as of June 30, 2018 was mainly driven by (1) an additional RMB744 million from our Series D and E Preferred Share financing and (2) fair value changes of our preferred shares during that period as set forth in the below reconciliation table.

Financial liabilities at FVPTL (Preferred Shares)	**in RMB million**
January 1, 2018	1,139
New issues	744
Change in fair value	1,376
June 30, 2018	3,259

As a result, we deducted RMB744 million from the driving factors of the fair value change in preferred shares.

Other Components of Results of Operations

Other Income

Other income reflects bank interest income and government grants.

Other Gains and Losses

Other gains and losses reflects primarily foreign exchange gains or losses in connection with bank balance and cash denominated in U.S. dollars. All our outstanding preferred shares will convert into Shares upon the completion of the Global Offering. Other gains and losses also reflects investment income earned on financial assets with a bank, where we have invested principal in various financial contracts as of March 31, 2018 with an agreed upon return based on the currency market, interbank market, bond market security, and equity market and derivative financial assets.

Other gains and losses also reflects investment income earned on financial assets we purchased to efficiently manage our surplus capital. The return of those financial products was determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market and the derivative financial instruments. Written treasury policies and procedures have been established to guide our activities relating to bank accounts, wire transfer of cash, short-term investment of surplus funds and foreign exchange exposure and risk management. Our Chief Finance Officer is responsible for monitoring the execution of those policies and procedures on a weekly basis.

Listing Expenses

We reflect our costs and expenses associated with the Global Offering in listing expenses.

Finance Cost

We reflect our costs and expenses associated with the issue of redeemable convertible preferred shares in finance cost.

Taxation

Cayman Islands

Hua Medicine is incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on profits, income, gains, or appreciation earned by individuals or corporations. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands. For more information, see "Summary of the Constitution of the Company and Cayman Islands Company Law — Summary of Cayman Islands Company Law and Taxation." in Appendix III of this prospectus.

People's Republic of China

Our subsidiary incorporated in the PRC is governed by the PRC Enterprise Income Tax Law, or EIT Law, and regulations. Under the EIT Law, the standard Enterprise Income Tax, or EIT, rate is 25% on taxable profits as reduced by available tax losses. Tax losses may be carried forward to offset any taxable profits for up to the following five years. For more information, see "Regulatory Overview — Taxation."

Hong Kong

Our Hong Kong subsidiary, Hua HK, was incorporated in Hong Kong and did not incur any income tax during 2016, 2017 and the three months ended March 31, 2018.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. Our operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,		Three months ended March 31,	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other income	1,030	11,706	224	6,110
Other gains and losses	10,295	(6,557)	(759)	(8,826)
Administrative expenses	(19,482)	(31,086)	(4,300)	(13,725)
Finance cost	(4,562)	(2,958)	—	(4,500)
Listing expenses	—	—	—	(10,515)
Research and development expenses	(75,272)	(125,337)	(10,461)	(43,342)
Loss on changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	(274,417)	(126,456)	(138,704)	(247,524)
Loss before tax	(362,408)	(280,688)	(154,000)	(322,322)
Income tax expense	—	—	—	—
Loss and total comprehensive expense for the year/period	(362,408)	(280,688)	(154,000)	(322,322)

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Other Income

Our other income consisted primarily of bank interest income and government grants and subsidies. Our other income increased by RMB5.9 million to RMB6.1 million in the three months ended March 31, 2018 from RMB0.2 million in the three months ended March 31, 2017, which was mainly attributable to an increase of RMB0.1 million in interest earned, from RMB0.2 million in the three months ended March 31, 2017 to RMB0.3 million in the three months ended March 31, 2018, and an increase of RMB5.8 million in government grants.

Other Gains and Losses

Our other gains and losses consisted primarily of gains or losses due to fluctuations in the exchange rates between the Chinese Renminbi and the U.S. dollar. Our other gains and losses decrease by RMB8.0 million to a loss of RMB8.8 million in the three months ended March 31, 2018 from a loss of RMB0.8 million in the three months ended March 31, 2017, which was mainly attributable to foreign exchange gains in connection with bank balances and cash denominated in U.S. dollars and larger depreciation of the U.S. dollar against the Chinese Renminbi in the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

Administrative Expenses

Our administrative expenses consisted primarily of personnel compensation and related costs. Our administrative expenses increased by RMB9.4 million to RMB13.7 million in the three months ended March 31, 2018 from RMB4.3 million in the three months ended March 31, 2017, which was mainly attributable to a labor cost increase due to establishment of our finance and corporate development team in the first three months of 2018 and the associated overhead costs.

Listing Expenses

Our listing expenses consisted of the expense associated with the Global Offering, which was initiated in March 2018.

Finance Cost

Our finance cost consisted of expenses associated with the issue of redeemable convertible preferred shares. Our finance cost was RMB4.5million in the three months ended March 31, 2018 as compared to zero in the three months ended March 31, 2017, which was attributable to the Series D and Series E preferred shares financings.

Research and Development Expenses

The following table sets forth the components of our research and development expenses for the three months indicated.

	Three months ended March 31,			
	2017	**%**	**2018**	**%**
	RMB'000		*RMB'000*	
Dorzagliatin Clinical Trials	1,092	10%	24,205	56%
Dorzagliatin Non-clinical Studies	1,392	13%	640	1%
Chemical, Manufacturing and Control	1,326	13%	2,036	5%
Labor Cost	5,257	50%	14,790	34%
Others	1,394	14%	1,671	4%
Total	10,461	100%	43,342	100%

Research and development expenses increased by RMB32.8 million to RMB43.3 million for the three months ended March 31, 2018 from RMB10.5 million for the three months ended March 31, 2017. The increase in research and development expense included:

- an increase of RMB23.1 million for Dorzagliatin clinical trials, which was primarily attributable to increased costs associated with the progress of Phase III clinical trials and additional Phase I clinical trials conducted in 2018.

- a RMB0.8 million decrease in Dorzagliatin non-clinical studies, which was primarily attributable to certain toxicology trials done in 2017 that were not conducted in 2018.

- an increase of RMB0.7 million for increased chemical, manufacturing, and control expenses, which were primarily attributable to increased analytical and stability costs associated with the late stage development and process validation required for the NDA filing.

- an increase of RMB9.5 million for increased labor costs, which were primarily attributable to increased headcount from 27 as of March 31, 2017 to 59 as of March 31, 2018.

- an increase of RMB0.3 million for others, which was primarily attributable to increased travelling costs associated with Phase III clinical trials.

Loss on changes in fair value of financial liabilities at FVTPL

Our loss on changes in fair value of convertible redeemable preferred shares consisted primarily of the increase in fair value per share. Loss on changes in fair value of financial liabilities at FVTPL increased by RMB108.8 million to RMB247.5 million in the three months ended March 31, 2018 from RMB138.7 million in the three months ended March 31, 2017, which was mainly attributable to the launch of our Phase III clinical trials in the third quarter of 2017.

Income Tax Expense

We recognized no income tax expenses for the three months ended March 31, 2018 and the three months ended March 31, 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Other Income

Our other income consisted primarily of bank interest income and government grants. Our other income increased substantially by RMB10.7 million to RMB11.7 million in 2017 from RMB1.0 million in 2016, which was mainly attributable to an increase of RMB0.8 million in interest earned, from RMB0.4 million in 2016 to RMB1.2 million in 2017, and an increase of RMB9.9 million in government grants received from RMB0.6 million in 2016 to RMB10.5 million in 2017. Our interest income consisted primarily of interest earned on the proceeds of two rounds of our Series C financings in April 2016 and March 2017.

Other Gains and Losses

Our other gains and losses consisted primarily of gains or losses due to fluctuations in the exchange rates between the Chinese Renminbi and the US dollar. Our other gains and losses decreased by RMB16.9 million to a loss of RMB6.6 million in the year ended December 31, 2017 from a gain of RMB10.3 million in the year ended December 31, 2016, which was mainly attributable to foreign exchange gains or losses in connection with bank balances and cash denominated in U.S. dollars. The U.S. dollar foreign exchange rate against the Chinese Renminbi decreased from 6.9370 at the end of 2016 to 6.5342 at the end of 2017, which led to a foreign exchange loss of RMB8.3 million in 2017. The exchange gain of RMB9.3 million in the year 2016 was a result of the U.S. dollar foreign exchange rate against the Chinese Renminbi increasing from 6.4936 at the end of 2015 to 6.9370 at the end of 2016.

Administrative Expenses

Our administrative expenses consisted primarily of personnel compensation and related costs as well as recruitment fees related to the hiring of executive employees. Our administrative expenses increased by 59.5% or RMB11.6 million to RMB31.1 million in the year ended December 31, 2017 from RMB19.5 million in the year ended December 31, 2016, which was mainly attributable to a labor cost increase of RMB7.8 million, as a result of an increase in headcount from 10 as of December 31, 2016 to 24 as of December 31, 2017, executive search fees of RMB1.9 million incurred in 2017, and other overhead such as costs associated with the increase in headcount.

Finance Cost

Our finance cost consisted of expenses associated with the issue of redeemable convertible preferred shares. Our finance cost decreased by RMB1.6 million from RMB4.6 million in the year ended December 31, 2016 to RMB3.0 million in the year ended December 31, 2017, which was attributable to the legal fees relating to the first tranche of Series C preferred shares financing in 2016, which was much higher than for the second tranche of Series C preferred shares financing in the year 2017.

Research and Development Expenses

The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended December 31,			
	2016	**%**	**2017**	**%**
	RMB'000		*RMB'000*	
Dorzagliatin Clinical Trials	18,172	24.14%	51,816	41.34%
Dorzagliatin Non-clinical Studies	11,037	14.66%	7,708	6.15%
Chemical, Manufacturing and Control	20,960	27.85%	22,947	18.31%
Labor Cost	16,951	22.52%	29,339	23.41%
Dorzagliatin Licensing Fee	—	—	6,757	5.39%
Others	8,152	10.83%	6,770	5.40%
Total	75,272	100%	125,337	100%

Research and development expenses increased by 66.5% or RMB50.1 million to RMB125.3 million for the year ended December 31, 2017 from RMB75.2 million for the year ended December 31, 2016. The increase in research and development expense included:

- a RMB33.6 million increase for Dorzagliatin clinical trials, which was primarily attributable to increased costs associated with the initiation of Phase III trials in third quarter of 2017 and additional Phase I trials conducted in 2017;

- a RMB3.3 million decrease in non-clinical studies, which was primarily attributable to certain toxicology trials completed in 2016;

- an increase of RMB2.0 million for increased chemical, manufacturing and control expenses, which was primarily attributable to increased costs associated with the supply of APIs, spray dried dispersion (SDD), and drug product related expenditures due to the initiation of the Phase III trials and costs associated with the late stage development and process validation required for the NDA filing;

- an increase of RMB12.4 million for increased labor costs, which were primarily attributable to increased headcount from 23 as of December 31, 2016 to 51 as of December 31, 2017;

- an increase of RMB6.8 million for increased licensing milestone payments, which was primarily attributable to a US$1.0 million milestone payment paid to Roche under our licensing agreement due to the initiation of our Phase III trials in 2017; and

- a decrease of RMB1.4 million for decreased others, which was primarily attributable to a US$0.4 million one-time license payment for AMPK in 2016.

Loss on changes in fair value of financial liabilities at FVTPL

Our loss on changes in fair value of convertible redeemable preferred shares decreased by RMB147.9 million to RMB126.5 million in 2017 from RMB274.4 million in 2016, which was mainly attributable to a net favorable movement in fair value in 2016 with the completion of our Phase II clinical trials.

Income Tax Expense

We recognized no income tax expense for the years ended December 31, 2016 and 2017.

Liquidity and Capital Resources

Since our inception, we have incurred net losses and negative cash flows from our operations. As of March 31, 2018, we had an accumulated deficit of RMB1,260.0 million. Our primary use of cash is to fund R&D expenses. Our operating activities used RMB22.5 million and RMB66.1 million of cash during the three months ended March 31, 2017 and 2018, respectively, and RMB76.1 million and RMB198.7 million of cash during 2016 and 2017, respectively. Historically, we have financed our operations principally through proceeds from private placements of convertible redeemable preferred shares of US$210.5 million (RMB1,339.8 million). As of March 31, 2018, we had cash and cash equivalents of RMB836.1 million. We believe that the net proceeds of the Global Offering, together with our existing cash and cash equivalents and available facilities, will provide us with working capital sufficient to cover at least 125% of our costs, including general administrative, operating costs as well as research and development costs for at least 12 months from the date of this prospectus.

Cash Operating Cost

The following table sets out the components of our cash operating cost for the periods indicated:

	Year ended December 31,		Three months ended March 31,
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Research and development costs for Dorzagliatin	58,309	166,148	42,192
Administrative Costs			
— Workforce employment	5,682	11,419	18,516
— Others	16,266	23,925	5,377
	80,257	**201,492**	**66,085**

Cash Flows

The following table provides information regarding our cash flows for the three months ended March 31, 2017 and 2018 and for the years ended December 31, 2016 and 2017:

	Year ended December 31,		Three months ended March 31,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in) operating activities	(76,051)	(198,694)	(22,518)	(66,085)
Net cash (used in) from investing activities	(29,241)	14,475	30,207	(112)
Net cash from financing activities	151,259	172,904	117,973	738,470
Effect of exchange rate changes	9,325	(8,853)	(863)	(8,942)
Net increases (decreases) in cash and cash equivalents	55,292	(20,168)	124,799	663,331

Net Cash Used in Operating Activities

Our use of cash resulted primarily from our net loss before tax, adjusted for non-cash charges and changes in components of our operating assets and liabilities. The primary use of our cash was to fund the development of our research and development activities, regulatory, and other clinical trial costs, and related supporting administration. Our prepayments and other current assets, accounts payable and other payables balances were affected by the timing of vendor invoicing and payments.

During the three months ended March 31, 2018, our operating activities used RMB66.1 million of cash, which resulted principally from our loss before tax of RMB322.3 million, adjusted for non-cash charges and non-operating cash charges of RMB259.7 million, and by cash used in our operating assets and liabilities of RMB3.5 million. Our net non-cash charges during the three months ended March 31, 2018 primarily consisted of RMB247.5 million of loss on changes in fair value of financial liabilities at FVTPL, depreciation of plant and equipment, amortization for intangible assets, share-based payments expenses, and net foreign exchange loss.

During the three months ended March 31, 2017, our operating activities used RMB22.5 million of cash, which resulted principally from our loss before tax of RMB154.0 million, adjusted for non-cash charges and non-operating cash charges of RMB140.7 million, and by cash used in our operating assets and liabilities of RMB9.2 million. Our net non-cash charges during the three months ended March 31, 2017 primarily consisted of RMB138.7 million of loss on changes in fair value of financial liabilities at FVTPL, depreciation of plant and equipment, amortization for intangible assets, share-based payments expenses, and net foreign exchange loss.

During the year ended December 31, 2017, our operating activities used RMB198.7 million of cash, which resulted principally from our loss before tax of RMB280.7 million, adjusted for non-cash charges and non-operating cash charges of RMB130.5 million, and by cash used in our operating assets and liabilities of RMB48.5 million. Our net non-cash charges during the year ended December 31, 2017 primarily consisted of loss on changes in fair value of financial liabilities at FVTPL of RMB126.5 million, depreciation of plant and equipment, amortization for intangible assets, share-based payments expenses, and net foreign exchange loss.

During the year ended December 31, 2016, our operating activities used RMB76.1 million of cash, which resulted principally from our loss before tax of RMB362.4 million, adjusted for non-cash charges and non-operating cash charges of RMB271.5 million, and by cash provided by our operating assets and liabilities of RMB14.8 million. Our net non-cash charges during the year ended December 31, 2016 primarily consisted of loss on changes in fair value of financial liabilities at FVTPL of RMB274.4 million, depreciation of plant and equipment, amortization for intangible assets, share-based payments expenses, and net foreign exchange gain.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities was RMB0.1 million for the three months ended March 31, 2018, which resulted primarily from purchases of plant and equipment. Net cash provided by investing activities was RMB30.2 million for the three months ended March 31, 2017, which resulted primarily from the disposal of other financial assets.

Net cash provided by investing activities was RMB14.5 million for the year ended December 31, 2017, which resulted primarily from the net impact of purchases and disposals of other financial assets and purchases of plant and equipment. Net cash used in investing activities was RMB29.2 million for the year ended December 31, 2016, which resulted primarily from the net impact of purchases and disposals of other financial assets.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was RMB738.5 million for the three months ended March 31, 2018, which resulted primarily from proceeds from the issue of Series D and E Preferred Shares. Net cash provided by financing activities was RMB118.0 million for the three months ended March 31, 2017, which resulted primarily from proceeds from the issue of Series C Preferred Shares.

Net cash provided by financing activities was RMB172.9 million for 2017, which resulted primarily from prepayments from investors and proceeds from the issue of our convertible redeemable preferred shares and proceeds from the issue of a subsidiary's ordinary shares and the written put options of certain subsidiaries. Net cash provided by financing activities was RMB151.3 million for 2016, which resulted primarily from proceeds from the issue of our convertible redeemable preferred shares and proceeds from the issue of a subsidiary's ordinary shares and written put options of certain subsidiaries.

The following table sets forth a summary of our consolidated statements of financial position as of the date indicated.

	At December 31,		At March 31,	At June 30,
	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current assets				
Plant and equipment	878	2,641	2,816	2,831
Other non-current assets	1,313	10,855	12,694	—
Prepayment to a related party	—	—	4,700	3,126
	2,191	13,496	20,210	5,957
Current assets				
Prepayments and other receivables	1,306	23,364	27,093	42,783
Prepayment to related parties	334	20,090	27,137	24,234
Other financial assets	30,000	16,101	16,239	—
Bank balances and cash	192,901	172,733	836,064	819,590
	224,541	232,288	906,533	886,607
Current liabilities				
Trade and other payables	5,307	12,377	31,744	53,088
Amounts due to related parties	9,690	23,320	15,551	5,315
Deferred income	10,284	7,300	2,000	1,600
	25,281	42,997	49,295	60,003
Net Current Assets	199,260	189,291	857,238	826,604

June 30, 2018 compared to March 31, 2018

Our net current assets decreased from RMB857.2 million as of March 31, 2018 to RMB826.6 million as of June 30, 2018. Current assets decreased from RMB906.5 million from March 31, 2018 to RMB886.6 million as of June 30, 2018, primarily due to (a) an increase in prepayments and other receivables from RMB27.1 million as of March 31, 2018 to RMB43.5 million as of June 30, 2018, which was due primarily to our reclassification of certain value-added tax payments that could be refunded beginning in July 2018 from other non-current assets to prepayments and other receivables, (b) a decrease in our other financial assets from RMB16.2 million as of March 31, 2018 to zero as of June 30, 2018, as we disposed of these financial assets, and (c) a decrease in our bank balances and cash from RMB836.1 million as of March 31, 2018 to RMB819.6 million as of June 30, 2018. The decrease was primarily related to our continued R&D and administrative costs in connection with our Phase III trials, which are denominated in RMB, which was offset by the fact that most of our cash is held in U.S. dollars, which appreciated substantially against the RMB during the period.

March 31, 2018 compared to December 31, 2017

Our non-current assets increased from RMB13.5 million as of December 31, 2017 to RMB20.2 million as of March 31, 2018 primarily due to (i) prepaid remuneration of RMB4.7 million as of March 31, 2018 and (ii) an increase in value-added tax recoverable by RMB1.8 million, which we paid for purchases and expect to deduct from future value added tax payables should we recognize revenue in the future.

Our current assets increased significantly from RMB232.3 million as of December 31, 2017 to RMB906.5 million as of March 31, 2018 primarily due to (i) an increase in bank balances and cash of RMB663.3 million resulting from our Series D and E Preferred Shares financings, (ii) prepaid remuneration of RMB6.3 million as of March 31, 2018; (iii) deferred listing cost of RMB2.3 million as of March 31, 2018 and (iv) prepayment of research and development services, which increased by RMB1.3 million.

Our current liabilities increased from RMB43.0 million to RMB49.3 million, primarily due to (i) listing and finance cost payable of RMB16.6 million as of March 31, 2018, (ii) the decrease of amounts of RMB7.8 million due to related parties mainly including (a) the receipt in advance from shareholders for the issuance of preferred shares of RMB19.0 million as of December 31, 2017, which was transferred into preferred shares after the share registration and (b) the amount of equity interests disposed of by certain investors in Hua Shanghai to Hua HK, for cash consideration of US$2 million (RMB12.6 million), which remained outstanding as of March 31, 2018 but was subsequently paid by Hua HK in April 2018, and (iii) deferred income from government grants of RMB5.4 million which was transferred into other income for the period ended March 31, 2018 upon verification by the applicable government entities.

Our net current assets increased significantly from RMB189.3 million as of December 31, 2017 to RMB857.2 million as of March 31, 2018, primarily due to (i) an increase in bank balance and cash of RMB663.3 million from the series D and E preferred shares financings, (ii) prepaid remuneration of RMB6.3 million as of March 31, 2018, (iii) deferred listing costs of RMB2.3 million as of March 31, 2018 and prepayment of research and development services, which increased by RMB1.3 million, (iv) trade and other payables which increased by RMB16.6 million mainly for the accrual of expenses relating to the Global Offering and Series D and Series E Preferred Shares financing and (v) amount due to related parties, which decreased by RMB7.8 million and deferred income which decreased by RMB5.3 million.

December 31, 2017 compared to December 31, 2016

Our non-current assets increased from RMB2.2 million as of December 31, 2016 to RMB13.5 million as of December 31, 2017, primarily due to (i) an increase in value-added tax recoverable of RMB9.5 million that we paid for purchases and expect to deduct from future value added tax payables should we recognize revenue in the future and (ii) an increase in property, plant and equipment of RMB1.8 million in connection with the purchase of information technology equipment.

Our current assets increased from RMB224.5 million as of December 31, 2016 to RMB232.3 million as of December, 2017, primarily due to (i) an increase in prepayment for research and development services to a third-party and a related party of RMB21.1 million and RMB19.8 million, respectively in connection with the advancement of Phase III trials; and (ii) a decrease in bank balances and cash and other financial assets of RMB20.2 million and RMB13.9 million, respectively, for advancing Phase III clinical trials.

Our current liabilities increased from RMB25.3 million as of December 31, 2016 to RMB43.0 million as of December 31, 2017, primarily due to (i) an increase in bonus payable of RMB3.7 million as a result of increased headcount, (ii) an increase in trade payable of RMB3.2 million due to the advancement of our Phase III trial in 2017, and (iii) an increase in amounts due to related parties of RMB13.6 million mainly caused by the receipt in advance from shareholders for the issue of preferred shares of RMB19.0 million as of December 31, 2017.

Our net current assets decreased from RMB199.3 million as of December 31, 2016 to RMB189.3 million as of December 31, 2017 primarily due to (i) a decrease in bank balances and cash and other financial assets of RMB20.2 million and RMB13.9 million, respectively, for advancing our Phase III clinical trials (ii) an increase in trade and other payables amounts and due to related parties of RMB7.1 million and RMB13.6 million, respectively and (iii) an increase in prepayment for research and development services to third-party and related party of RMB21.1 million and RMB19.8 million, respectively with the advancement of our Phase III trials.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2017. Amounts we pay in future periods may vary from those reflected in the table.

	Payments due by period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating Lease Obligations	4,781	2,657	2,124	—	—

Off-Balance Sheet Arrangements

We currently do not engage in trading activities involving non-exchange traded contracts or interest rate swap transactions or foreign currency forward contracts. In the ordinary course of our business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Qualitative and Quantitative Disclosures About Market Risk

We are exposed to a variety of market risks, including currency risk, interest rate risk, credit risk, and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. We currently do not hedge or consider necessary to hedge any of these risks.

Currency Risk

Our business mainly operates in the PRC with most of our transactions settled in RMB, and our financial statements are presented in RMB. Renminbi ("RMB") is not a freely convertible currency. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk.

Since our inception, we have raised funds through various rounds of offshore financings and received proceeds of such financings in U.S. dollars and RMB. We convert a portion of those funds to RMB immediately and place the remaining amount in time deposits. We convert additional amounts to RMB as needed. Translation of any proceeds that we will receive from the Global Offering in U.S. dollars into RMB will also expose us to currency risk. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. To the extent that we need to convert U.S. dollar or other currencies we have received in previous financings or may receive from the Global Offering into RMB for our operations, or if any of our arrangements with other parties are denominated in U.S. dollars and need to be converted into RMB, appreciation of the RMB against the U.S. dollar or other currencies would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollar or other currencies for business purposes, appreciation of the U.S. or Hong Kong dollar against the RMB would have a negative effect on the U.S. dollar or other currencies amounts available to us. We have conducted a sensitivity analysis to determine our exposure to changes in foreign currency rate.

The following table details our sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which we may have a material exposure. No sensitivity analysis has been disclosed for the TWD denominated assets as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$ there would be an equal and opposite impact or loss for the year/period.

	At December 31,		At March 31,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit or loss			
US$	35,780	50,844	69,438
HK$	—	—	(427)

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to our fixed-rate short-term bank deposits. We currently do not have an interest rate hedging policy to mitigate interest rate risk. Nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise. We are also exposed to cash flow interest rate risk in relation to our variable-rate bank balances. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on our bank balances.

Liquidity Risk

As of December 31, 2016, 2017 and March 31, 2018, we recorded net current assets of RMB199.3 million, RMB189.3 million and RMB857.2 million, respectively. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Unaudited Pro Forma Statement of Adjusted 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 out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at March 31, 2018 as if the Global Offering had taken place on such date.

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 picture of our consolidated net tangible assets as at March 31, 2018 following the Global Offering or as at any subsequent dates. It is prepared based on our audited consolidated net tangible assets as at March 31, 2018 as derived from the consolidated financial statements set out in Appendix I of this prospectus and adjusted as described below.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company per Share as at March 31, 2018	
	RMB'000 (*Note 1*)	*RMB'000* (*Note 2*)	*RMB'000*	*RMB* (*Note 3*)	*HK$* (*Note 4*)
Based on an Offer Price of HK$8.28 per Offer Share	(1,262,762)	692,166	(570,596)	(2.64)	(3.02)
Based on an Offer Price of HK$9.28 per Offer Share	(1,262,762)	779,195	(483,567)	(2.23)	(2.56)

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018 is extracted from the consolidated statement of financial position set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 104,756,000 Offer Shares at the indicative Offer Price of HK$8.28 (equivalent to RMB7.23) and HK$9.28 (equivalent to RMB8.10) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding approximately RMB10.5 million listing expenses which has been charged to profit or loss up to March 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Post-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) which were issued to Nominee to hold the employee trust non-exercised share options and awards granted under the Pre-IPO Share Incentive Scheme. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.87273, which was the exchange rate prevailing on August 27, 2018. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group per Share is arrived at on the basis that 216,523,310 Shares were in issue including 111,767,310 existing ordinary Shares (7,451,154 before Capitalization Issue) and 104,756,000 Offer Shares assuming that the Global Offering and Capitalization Issue had been completed on March 31, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Post-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) the conversion of the Preferred Shares or (v) which were issued to Nominee to hold in trust for the Shares underlying the share options and awards granted under Pre-IPO Share Incentive Scheme.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible liabilities of the Group per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.87273, which was the exchange rate prevailing on August 27, 2018. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of the Group as at March 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to March 31, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of the Group attributable to owners of the Company as shown on II-1 have not been adjusted to illustrate the effect of the exercise of Share Purchase Option (as defined in Appendix I) by PRC investors of Series C-3 Preferred Shares and the conversion of Preferred Shares into ordinary shares. The exercise of Share Purchase Option by PRC investors in April 2018 would have resulted in the RMB38,823,000 gross obligation from Share Purchase Option Written at March 31, 2018 to be reclassified as Preferred Shares, and would have increased the RMB2,091,951,000 carrying amount of Preferred Shares at March 31, 2018 to RMB2,130,774,000. The exercise of Share Purchase Option would have also caused the RMB2,908,000 non-controlling interests to be reclassified to equity attributable to owners of the Company. Additionally, the conversion of Preferred Shares upon completion of IPO would then have reclassified the RMB2,130,774,000 Preferred Shares to equity. The combined effect of the exercise of Share Purchase Option and conversion of Preferred Shares would have reduced/increased the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of the Group attributable to owners of the Company as at March 31, 2018 by RMB2,133,682,000. The conversion of Preferred Shares would have also increased the total share in issue assumption stated in note 3 by 718,389,990 Shares to a total of 934,913,300 Shares in issue excluding the shares of 117,000,000 issued to HLYY Limited as the nominee to hold in trust for the Shares underlying the share options and awards granted under Pre-IPO Share Incentive Scheme. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of the Group after conversion of Preferred Shares would be as follows:

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 after conversion of the Preferred Shares	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 per Share after conversion of the Preferred Shares**	
	RMB'000	*RMB*	*HK$*
Based on an Offer Price of HK$8.28 per Offer Share	1,563,086	1.67	1.92
Based on an Offer Price of HK$9.28 per Offer Share	1,650,115	1.76	2.02

Distributable Reserves

As of March 31, 2018, we had no distributable reserves.

Dividend

We have never declared or paid regular cash dividends on our Shares. We currently expect to retain all future earnings for use in the research and advancement of our pipeline and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our board of directors, in its discretion, and will depend on a number of factors, including the successful approval and commercialization of Dorzagliatin as well as our earnings, capital requirements, overall financial condition, and contractual restrictions.

Listing Expense

Our listing expenses mainly include underwriting fees and commissions, and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB77.8 million. We incurred listing expenses of approximately RMB10.5 million for the three months ended March 31, 2018, which was recognized as listing expenses. We expect to further incur listing expenses of approximately RMB67.3 million in connection with the Global Offering, of which an estimated amount of RMB31.5 million is expected to be recognized as other expenses and the remaining amount of approximately RMB35.8 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

Indebtedness

	As at December 31		As at March 31	As at June 30
	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured and unguaranteed other financial liabilities	855,488	1,138,789	2,130,774	3,259,307
Total	855,488	1,138,789	2,130,774	3,259,307

As at June 30, 2018, except as disclosed above, we did not have any indebtedness, including but not limited to mortgages, charges, debentures, other issued and outstanding debt capital, bank overdrafts, borrowings, liabilities under acceptance or acceptance credits, hire purchase commitments, unutilized banking facilities or other similar indebtedness, any guarantees or other material contingent liabilities.

Related Party Transactions

We had the following transactions with related parties during the Track Record Period:

	Year ended December 31,		Three months ended March 31,	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
WuXi AppTec (Shanghai) Co., Ltd.	10,796	5,180	70	1,788
Shanghai SynTheAll Pharmaceutical Co., Ltd.	7,047	4,893	—	—
Shanghai STA Pharmaceutical R&D Co., Ltd.	1,454	8,222	—	—
Shanghai MedKey Med-Tech Development Co., Ltd.	1,848	5,948	—	3,802
WuXi AppTec (Suzhou) Co., Ltd.	3,209	—	—	8
WuXi Clinical Development Services (Shanghai) Co., Ltd.	—	3,763	—	2,800
XenoBiotic Laboratories, Inc.	716	1,951	425	—
WuXi AppTec (Tianjin) Co., Ltd.	280	—	—	—
HD Biosciences Co., Ltd.	—	38	24	—

All of the above related parties are subsidiaries of WuXi AppTec Co., Ltd ("WXAT"). Wuxi Pharmatech Healthcare Fund I L.P., a holder of Preferred Shares of the Company, is a subsidiary of WXAT. In addition, Dr. Li Ge, an individual ordinary shareholder of the Company, is a director and Chairman of WXAT. Dr. Li Ge also served as a director of the Company from April, 2010 to December, 2017. As such, the directors of the Company deem the above entities as related parties of the Group.

It is the view of our Directors that each of the related party transactions set out in Note 30 to the accountants' report set out in Appendix I to this prospectus (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) does not distort our Track Record Period results or make our historical results not reflective of future performance.

Recent Developments and No Material Adverse Change

We granted 2,961,027 (44,415,405 as adjusted after Capitalization Issue) share options and also granted 494,865 (7,422,975 as adjusted after Capitalization Issue) restricted shares in April 2018, 75,000 (1,125,000 as adjusted after Capitalization Issue) share options in May 2018, 350,000 (5,250,000 as adjusted after Capitalization Issue) share options in June 2018 and 568,342 (8,525,130 as adjusted after Capitalization Issue) share options in August 2018 under the Pre-IPO Share Incentive Scheme, in each case to certain directors, management, employees, consultants and advisors of the

Group. We have also issued 7,800,000 Shares (equivalent to 117,000,000 Shares after Capitalization Issue) to Nominee to hold in trust the Shares underlying the share options and award granted under the Pre-IPO Share Incentive Scheme. As of the date of this prospectus, no material adverse change has occurred with respect to the regulatory approvals we have received in relation to Dorzagliatin.

We expect our loss and total comprehensive expense for the year ending December 31, 2018 will reflect an increase from our loss and comprehensive expense for the year ended December 31, 2017, as a result of increased expenses relating to our new hires in connection with our Phase III clinical trials and to the Global Offering. In particular, we expect our R&D expenses to continue to increase in 2018 as we realize the full-year effects of new R&D hires in 2017, and as we increase staff to carry out our Phase III trials, and in anticipation of the NDA process and planned commercialization of Dorzagliatin. In particular, expenditures for our Phase III clinical trials are expected to be significantly higher than those for our Phase II trial, since our Phase III trials will involve approximately 1,200 patients and 110 clinical sites compared to 258 patients and 22 clinical sites for our Phase II trials. In addition, in anticipation of the Global Offering, we have made significant additions to our financial and accounting infrastructure. We also expect to make additional hires in 2018 related to the commercial launch of Dorzagliatin in corporate finance, market research and legal functions, and, upon CDA approval, including the hiring of a marketing executive in 2018 or 2019 and related sales personnel in the second half of 2019. We expect that our 2018 administrative expenses will include significant cash and non-cash, share-based compensation charges related to our employment arrangements with our senior management.

To date, we have raised US$210.5 million to fund our operations through the issuance of the convertible redeemable preferred shares and subsidiary's ordinary shares with written put options. These financial instruments will be converted into Shares upon the earlier of the closing of an initial public offering, or the date specified by written consent or agreement of majority holders of redeemable convertible preferred shares. The fair value of these financial instruments is established by using valuation techniques. These techniques include back-solve method and adopted equity allocation models. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as fair value of our Shares, possibilities under different scenarios such as initial public offering, liquidation and redemption, risk free rate, volatility and discount for lack of marketability, require management estimates, which are inherently uncertain. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it could lead to a materially adverse change in the fair value of the financial liabilities at fair value through profit or loss. Although our convertible redeemable preferred shares will be converted to Shares upon the closing of the Global Offering, to the extent we needed to revalue the redeemable convertible preferred shares prior to the closing of the Global Offering, the change in fair value of financial liabilities at FVTPL would significantly affect our financial position and performance.

We confirm that there has been no material adverse change in our financial or trading position since March 31, 2018 (being the date of our latest audited consolidated statements of financial position as set out in the Accountant's Report in Appendix I to this prospectus) and up to the date of this prospectus.

Disclosure Under Rules 13.13 to 13.19 of the Listing Rules

Our Directors have confirmed that, as of March 31, 2018, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated:

	As of December 31,		As at March 31,
	2016	2017	2018
Current ratio[(1)]	8.88	5.40	18.39
Quick ratio[(2)]	8.88	5.40	18.39

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

(2) Quick ratio represents current assets less inventories divided by current liabilities as of the same date.

The current ratio and quick ratio as of December 31, 2017 decreased by 3.48 compared with that as of December 31, 2016 was mainly due to increased liabilities resulting from bonuses payable as a result of an increase in headcount as well as advances from investors.

The current ratio and quick ratio as of March 31, 2018 increased by 12.99 compared with that as of March 31 , 2017 was mainly due to the Series D and Series E Preferred Shares financing during the period ended March 31, 2018.

FUTURE PLANS

For a detailed description of our future plans, see the section headed "Business — Our Strategy and Business Plan" in this prospectus.

USE OF PROCEEDS

Reasons for Our Global Offering

As of March 31, 2018, our bank balances and cash was RMB836.1 million and for the year ended December 31, 2017, our net cash used in operating activities was RMB198.7 million. However, we expect our costs will increase significantly as we increase staff to carry out our Phase III trials, and in anticipation of the NDA process and planned commercialization of Dorzagliatin. In particular, expenditures for our Phase III clinical trials are expected to be significantly higher than those for our Phase II trial, since our Phase III trials will involve approximately 1,200 patients and 110 clinical sites compared to 258 patients and 22 clinical sites for our Phase II trials. See "Financial Information — Factors Affecting Our Results of Operations." As a result, the primary reason for our Global Offering is to raise proceeds sufficient for us to finance our Phase III trials to completion, subsequent NDA submission with the CDA and the eventual commercialization of Dorzaliation, as well as to advance our other pipeline candidates, as set forth in more detail below.

We estimate that the net proceeds of the Global Offering after deducting underwriting fees and expenses payable by us in connection with the Global Offering will be in the amounts set out below:

- approximately HK$780.6 million, if the Over-allotment Option is not exercised, or approximately HK$904.9 million, if the Over-allotment Option is exercised in full assuming an Offer Price of HK$8.28 per Offer Share, being the low-end of the proposed Offer Price range;

- approximately HK$830.7 million, if the Over-allotment Option is not exercised, or approximately HK$962.4 million, if the Over-allotment Option is exercised in full assuming an Offer Price of HK$8.78 per Offer Share, being the mid-point of the proposed Offer Price range; or

- approximately HK$880.7 million, if the Over-allotment Option is not exercised, or approximately HK$1,019.9 million, if the Over-allotment Option is exercised in full assuming an Offer Price of HK$9.28 per Offer Share being the high-end of the proposed Offer Price range.

We currently intend to apply such net proceeds of approximately HK$830.7 million if the Over-allotment Option is not exercised assuming an Offer Price of HK$8.78 per Offer Share, being the mid-point of the proposed Offer Price range, for the following purposes:

(a) approximately 39%, or HK$326.2 million, will be used for completing the Phase III trials of Dorzagliatin over the next two years, with approximately 35% allocated to monotherapy

trial and 65% to combination trial with metformin. We expect approximately 60%, 15% and 25% of the proceeds intended for this purpose will be allocated to expenditures on clinical trials, expenditures on chemical, manufacturing and control and labor cost, respectively for each trial, before the completion of NDA filing;

(b) approximately 9%, or HK$73.8 million, will be used over the next three years for further research and development involving Dorzagliatin, which will include combination trials. As set forth in our pipeline, combination trials involve Dorzagliatin in combination with other approved anti-diabetic drugs. These combination trials are different from our fixed dose combination trials, which involve a specific formulation of an approved anti-diabetic drug at a fixed dose plus Dorzagliatin, combined into one formulation. In particular, we expect this would include:

- HK$73.8 million for combination trials involving Dorzagliatin as an add-on to sitagliptin, SGLT-2 inhibitors, insulin and GLP-1;

(c) approximately 27%, or HK$221.2 million, will be used over the next three years for the launch and commercialization of Dorzagliatin in China, including marketing, sales and manufacturing. We expect approximately 40%, and 60% of the proceeds intended for this purpose will be allocated to commercial scale manufacturing capabilities and the establishment of a commercialization team, respectively;

(d) approximately 11%, or HK$93.3 million, will be used over the next three years for further research on fixed dose combinations involving Dorzagliatin, and personalized diabetes studies, as well as for mGLUR5. Fixed dose combinations include one oral formulation that contains Dorzagliatin together with another approved anti-diabetic drug. The development pathway for a fixed dose combination product is similar to that for Dorzagliatin, which would require an IND, and one or more bioequivalence studies to establish equivalent pharmacokinetics between each single drug product and the fixed dose combination product, as well as an NDA. In particular, we expect this would include:

- HK$32.5 million for studies and activities to support an IND filing of a fixed dose combination of Dorzagliatin and metformin in China in 2019, and a subsequent bioequivalence study and NDA filing in China in 2020;

- HK$14.7 million for studies and activities to support the development of a fixed dose combination of Dorzagliatin with sitaglitapin;

- HK$13.2 million for personalized diabetes treatment studies, which involve studies to substantiate our hypothesis that classifying Type 2 diabetes patients using our proprietary algorithm and clinically validated biomarkers could lead to tailored prescriptions that results in better efficacy, improved safety and reduced complications; and

- HK$32.8 million for studies and activities to support a mGLUR5 IND filing in China in 2019 and first-in-human study in 2020;

(e) approximately 4%, or HK$35.2 million, will be used over the next three years for exploring additional licensing and partnership opportunities directly relating to diabetes or new therapeutic areas for which we believe there is a significant unmet medical need; and

(f) approximately 10%, or HK$81.0 million, will be used for our general corporate and working capital purposes.

The following table sets forth our anticipated timeframe for applying the proceeds as described above:

		Year Ending December 31			
		2018	2019	2020	Total
		HKD in million			
(a)	Dorzagliatin research and development	116.2	176.7	33.3	326.2
(b)	Dorzagliatin lifecycle management and additional indications	—	17.2	56.6	73.8
(c)	Dorzagliatin launch and commercialization	5.5	29.1	186.6	221.2
(d)	New product and diabetes care technology development	27.1	50.0	16.2	93.3
(e)	Product licensing and partnership	—	3.4	31.8	35.2
(f)	General working capital	137.0	44.0	—	81.0
	subtotal	185.8	320.4	324.5	830.7

In general, we intend to continue focusing on therapies to treat metabolic diseases associated with Type 2 diabetes and the development of relevant single and fixed combination products. We also intend to expand into treatment of diseases of the central nervous system.

In the event that the Offer Price is fixed below or above the mid-point of the indicative price range or any additional proceeds received from the exercise of the Over-allotment Option, the net proceeds allocated to the above purposes will be adjusted on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed either in deposits with banks in Hong Kong or the PRC and/or through money market instruments.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.

CLSA Limited

UBS AG Hong Kong Branch

Guotai Junan Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on August 30, 2018. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the pre-IPO Share Incentive Scheme and the post-IPO Share Option Scheme, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming and remaining unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may by giving oral or written notice to our Company terminate the Hong Kong Underwriting Agreement (including the respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares) without liability to any of the other parties with immediate effect:

(a) (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts

of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any members of the European Union, Japan, Israel, Taiwan, Singapore, the Cayman Islands or the British Virgin Islands (collectively, the "Relevant Jurisdictions"); or

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions, or elsewhere; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the SEHK, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the United States, the United Kingdom, the PRC, the European Union (or any member thereof), Japan, Singapore or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any proceedings of any third party being threatened or instigated against any member of the Group; or

(ix) a contravention by any member of the Group of the Listing Rules or applicable Laws; or

(x) any change or development or event involving a prospective change, or materialization of, any of the risks set out in the section "Risk Factors" in this prospectus; or

(xi) a prohibition by an Authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Optional Shares) pursuant to the terms of the Global Offering; or

(xii) non-compliance of the Hong Kong Prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xiii) except with the approval of the Joint Sponsors, the issue or requirement to issue by the Company of any supplement or amendment to the Hong Kong Prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the SEHK and/or the SFC; or

(xiv) an executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xv) chief executive officer of the Company vacating his or her office; or

(xvi) any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority related to the Company's industry, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xviii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(xix) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or

a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors and the Joint Global Coordinators:

(1) has or will have or is likely to have any material adverse effect, or any development involving a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of our Group taken as a whole ("**Material Adverse Effect**"); or

(2) has or will have or may have a Material Adverse Effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors and the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "Hong Kong Public Offering Documents") was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of the Hong Kong Public Offering Documents; or

(iii) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the clause 12 under the Hong Kong Underwriting Agreement; or

(iv) any Material Adverse Effect; or

(v) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or

(vi) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(viii) that any expert (other than the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners or any of the Underwriters) whose consent is required for the issue of the prospectus with the inclusion of its reports, letters, summaries of valuations and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in the Hong Kong prospectus.

Lock-up

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken with each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters that, we will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Lising Date the ("**First Six-month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of our Company or interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i) to (iii) above, in each case, whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of our Shares or such other securities, or any interest in the foregoing, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering or grant of options or issuance of Shares upon exercise of such options pursuant to the exercise of the Over-allotment option, the Pre-IPO Share Incentive Scheme and the post-IPO Share Option Scheme or any

issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group.

In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), we enter into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect such transaction, we will take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

Lock-up on Li Chen Family

Pursuant to the Hong Kong Underwriting, except pursuant to the Capitalization Issue or the Pre-IPO Share Incentive Scheme or the Post-IPO Share Option Scheme (including, without limitation, any exercise or net exercise of the options or awards, or any transfer, sale or disposal of Shares, options or awards under the Pre-IPO Share Incentive Scheme or the Post-IPO Share Option Scheme for the purpose of tax payment or otherwise in accordance with the terms therein), Dr. Li Chen undertakes that he shall procure the Li Chen Family to undertake to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Company, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, Li Chen Family will not during the period of 180 days from (and including) the date on which listing and dealing in the shares of the Company first commences on the Stock Exchange (the "**Lock-up Period**"), directly or indirectly, (i) dispose of, in any way, any of the shares of the Company in respect of which they are shown by the Prospectus to be the beneficial owner (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction. Nothing contained above shall prevent Li Chen Family from transferring all or part of the Relevant Shares to any entity which is wholly-owned, individually or together, by them, their spouse, their parents and/or their children (the "**Family Member**") or to any trust (the "**Family Trust**"), the beneficiary(ies) of which, or in the case of discretionary trust, the discretionary object(s) of which, is me and/or any of my Family Member or otherwise for estate planning purpose, provided that they shall provide the Joint Global Coordinators with all such documentation as may be reasonably required to prove the abovestated relationship prior to the transfer of the Relevant Shares to such wholly-owned entity or the Family Trust, and, in all cases:

(a) prior to such transfer, such wholly-owned entity or (as the case maybe) the trustee of the Family Trust gives a written undertaking (addressed to and in favor of the Company, the Joint Global Coordinators and the Joint Sponsors in terms satisfactory to them) agreeing to, and Dr. Li Chen undertake to procure that such wholly-owned entity or (as the case maybe) the trustee of the Family Trust will, be bound by the lock-up obligations and restrictions as if such wholly-owned entity or (as the case maybe) the trustee of the Family Trust were itself subject to such obligations and restrictions;

(b) Li Chen Family and its wholly-owned entity or (as the case maybe) the trustee of the Family Trust shall be treated as being the investor in respect of all the Relevant Shares held by them and shall jointly and severally bear all liabilities and obligations imposed the lock-up undertaking; and

(c) if at any time prior to expiration of the Lock-up Period, (i) such wholly-owned entity ceases or will cease to be Li Chen Family's wholly-owned entity, or (ii) the Family Trust ceases or will cease to be a Family Trust, the beneficiary(ies) of which, or in the case of discretionary trust, the discretionary object(s) of which, is Dr. Li Chen and/or any of the Family Member, it shall (and Dr. Li Chen shall procure that such entity or trust shall) immediately, and in any event before ceasing to be Li Chen Family's wholly-owned entity or (as the case maybe) the Family Trust, fully and effectively transfer the Relevant Shares it holds to Li Chen Family or its another wholly-owned entity or another Family Trust, which shall give or be procured by Dr. Li Chen to give a written undertaking (addressed to and in favour of the Company, the Joint Global Coordinators and the Joint Sponsors in terms satisfactory to them) agreeing to be bound by Li Chen Family's obligations and restrictions under the lock-up undertaking, as if such wholly-owned entity or (as the case maybe) the Family Trust were itself subject to such obligations and restrictions and shall jointly and severally bear all liabilities and obligations imposed by the lock-up undertaking.

Indemnity

We have agreed to indemnify, amongst others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company of the Hong Kong Underwriting Agreement, as the case may be.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the Joint Bookrunners (for themselves and on behalf of the International Underwriters). Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set forth therein, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering, or procure purchasers for such International Offer Shares.

It is expected that our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 15,713,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the Offer Price, to cover over-allocations in the International Offering, if any.

Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters. In addition we may, at our sole and absolute discretion, pay additional discretionary incentive fee of up to 1.0% of the Offer Price per each Hong Kong Offer Shares.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$8.78, being the mid-point of the Offer Price range of HK$8.28 to HK$9.28 per Share, the fees and commissions (assuming full payment of the discretionary incentive fee) in connection with the Hong Kong Public Offering and the International Offering, together with the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to amount to approximately HK$89.1 million in aggregate. Such commissions, the Stock Exchange trading fee and the SFC transaction levy and the fees and expenses of professional advisors and service providers engaged in relation to the Global Offering are payable and borne by us.

Underwriters' Interests in our Company

Save for their respective obligations under the Underwriting Agreements and save as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group in the Global Offering.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of Share as a result of fulfilling their obligations under the Underwriting Agreements.

JOINT SPONSORS' INDEPENDENCE

The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(i) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(ii) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Certain of the Syndicate Members or their respective affiliates have provided from time to time and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commission.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering of 104,756,000 Shares comprises:

(i) the Hong Kong Public Offering of 10,476,000 Shares (subject to reallocation) in Hong Kong, as described below in the paragraph headed "— The Hong Kong Public Offering"; and

(ii) the International Offering of initially 94,280,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares within Hong Kong) in offshore transactions in reliance on Regulation S, and to QIBs in the United States in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Furthermore, up to 15,713,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set out further in "— Over-allotment Option" below.

The 104,756,000 Shares being offered by our Company under the Global Offering will represent about 9.96% of our Company's enlarged share capital immediately after completion of the Global Offering (without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in Offer Shares under the International Offering, but may not apply in both the Hong Kong Public Offering and the International Offering.

References in this prospectus to "applications", "Application Forms", "application monies" or the "procedure for application" relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 10,476,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.0% of our Company's enlarged issued share capital immediately after completion of the Global Offering, and assuming no exercise of over-allotemnt option and post-IPO options.

The Hong Kong Public Offering is open to the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers), whose ordinary business involves dealing in shares and other securities, and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "— Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in such a ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 5,238,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5.0 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will consist of 5,238,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5.0 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "subscription price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 5,238,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool, are liable to be rejected.

Reallocation

The allocation of Offer Shares under Hong Kong Public Offering and International Offering is subject to reallocation. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated

to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 10,476,000 Offer Shares, representing approximately 10% of the total number of the Offer Shares are initially available in the Global Offering;

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 31,427,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 41,902,500 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 52,378,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 10,476,000 Shares, representing 10% of the Offer Shares

initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 20,951,500 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$8.28 per Offer Share) stated in this prospectus.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, September 13, 2018.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he, or any person(s) for whose benefit he is making the application, has not applied for, taken up or indicated an interest in, and will not apply for, take up or indicate an interest in, any Offer Shares under the International Offering. Such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been, or will be, placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$9.28 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing and Allocation" below, is less than the maximum Offer Price of HK$9.28 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

The International Offering will consist of an initial offering of 94,280,000 Shares, and of which are offered by the Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the International Offer Shares will represent approximately 9.0% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as defined in Rule 144A, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers), whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell his/its Shares after the listing of our Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our Company's and our Shareholders' benefit as a whole.

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) may require investors who have been offered Offer Shares under the International Offering and who have made applications under the Hong Kong Public Offering to provide sufficient information so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such applications are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold and issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" in this section, any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Overallotment Option to the International Underwriters, exercisable by the Stabilizing Manager on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Stabilizing Manager (on behalf of the International Underwriters) at any time from the Listing Date until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 15,713,000 Shares, representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering, to cover over-allocations in the International Offering (if any). In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as stabilizing manager, its affiliates or any person acting for it (on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering and conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. The number of Shares that may be over-allocated will not be greater than the number of Shares that may be sold upon exercise of the Over-allotment Option, being an aggregate of 15,713,000 additional Shares, which is approximately 15% of the Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares will represent about 11.28% of our Company's enlarged issued share capital on completion of the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or agreeing to purchase our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell our Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;

- there is no certainty as to the extent to which, and the time or period for which, the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;

- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may cover such over-allocation by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including those in relation to stabilization and the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed 15,713,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate settlement of the over-allocations under the International Offering, if any, the Stabilizing Manager, its affiliates or any person acting for it, is expected to enter into the Stock Borrowing Agreement with ARCH Venture Fund VII, L.P., Venrock Associates V, L.P., Venrock Partners V, L.P. and Venrock Enterpreneurs Fund V, L.P. (the "**Lenders**") pursuant to which the Lender shall, if so requested by Stabilizing Manager, their affiliates or any person acting for them, make available to the Stabilizing Manager its affiliates or any person acting for it, up to 15,713,000 Shares held by it to facilitate settlement of over-allocations in the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, shall provide that:

(1) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(2) the maximum number of Shares to be borrowed from the Lenders under the Stock Borrowing Agreement by Stabilizing Manager, its affiliates or any person acting for it, will be limited to the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;

(3) the same number of Shares so borrowed (if any) must be returned to the Lenders or their nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;

(4) borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws, rules and regulatory requirements; and

(5) no payments will be made to the Lenders by the Stabilizing Manager, its affiliates or any person acting for it, in relation to such borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective professional and institutional investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering that they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, September 7, 2018 and in any event no later than Thursday, September 13, 2018, by agreement among the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when including the 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Offering.

The Offer Price will not be more than HK$9.28 per Offer Share and is expected to be not less than HK$8.28 per Offer Share unless otherwise announced, as further explained below, not later than

the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is/are so reduced, such applications can subsequently be withdrawn.

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange and the Company an announcement of reduction of the Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the indicative Offer Price; extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications under the Hong Kong Public Offering. Such announcement shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at is discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$830.7 million, assuming an Offer Price of HK$8.78 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK$8.28 to HK$9.28.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Thursday, September 13, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company www.huamedicine.com.

HONG KONG UNDERWRITING AGREEMENT AND INTERNATIONAL UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares being offered pursuant to the Global Offering (including the Shares that may be issued pursuant to any exercise of the Over-allotment Option and the post-IPO Share Option Scheme);

(ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Thursday, September 13, 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.huamedicine.com, in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank accounts with the receiving bank of our Company or any other banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. in Hong Kong on Friday, September 14, 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" in this prospectus has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued upon the exercise of the options that may be granted under the Post-IPO Share Option Scheme.

No part of the share capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, September 14, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, September 14, 2018. Our Shares will be traded in board lots of 500 Shares each. The stock code of the Company is 2552.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.hk**; or
- electrically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Sponsors and/or the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Sponsors and/or the Joint Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, August 31, 2018 until 12:00 noon on Wednesday, September 5, 2018 from:

(i) any of the following offices of the Hong Kong Underwriters:

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

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

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

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(ii) any of the following branches of the receiving bank:

Wing Lung Bank Limited

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
Kowloon	Mong Kok Branch	Basement, Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, August 31, 2018 until 12:00 noon on Wednesday, September 5, 2018 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Wing Lung Bank (Nominees) Limited — Hua Medicine Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Friday, August 31, 2018
- 9:00 a.m. to 1:00 p.m. on Saturday, September 1, 2018
- 9:00 a.m. to 5:00 p.m. on Monday, September 3, 2018
- 9:00 a.m. to 5:00 p.m. on Tuesday, September 4, 2018
- 9:00 a.m. to 12:00 noon on Wednesday, September 5, 2018

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, September 5, 2018, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorize our Company, the Joint Sponsors and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake and confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorize** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) or deposit any share certificate(s) into CCASS and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in "— 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection" in this section to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that our Company, the Directors, Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

Individuals who meet the criteria in "2. Who can apply" section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, August 31, 2018 until 11:30 a.m. on Wednesday, September 5, 2018 and the latest time for completing full payment of application monies in respect of such applications will be at 12:00 noon on Wednesday, September 5, 2018, or such later time under the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and our Company and/or our agents to deposit share certificate(s) into CCASS and/or to send any refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, August 31, 2018 — 9:00 a.m. to 8:30 p.m.

Saturday, September 1, 2018 — 8:00 a.m. to 1:00 p.m.

Monday, September 3, 2018 — 8:00 a.m. to 8:30 p.m.

Tuesday, September 4, 2018 — 8:00 a.m. to 8:30 p.m.

Wednesday, September 5, 2018 — 8:00 a.m. to 12:00 noon

The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, August 31, 2018 until 12:00 noon on Wednesday, September 5, 2018 (24 hours daily, except on Wednesday, September 5, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, September 5, 2018, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations

and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, September 5, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange. "**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus for further details on the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 5, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, September 5, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Public Shares on Thursday, September 13, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on our Company's website at **www.huamedicine.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.huamedicine.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, September 13, 2018;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, September 13, 2018 to 12:00 midnight on Wednesday, September 19, 2018;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, September 13, 2018 to Tuesday, September 18, 2018;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, September 13, 2018 to Monday, September 17, 2018 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Sponsors and/or the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$9.28 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, September 13, 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, September 13, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, September 14, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, September 13, 2018 such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, September 13, 2018, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, September 13, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, September 13, 2018 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, September 13, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the HK eIPO White Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, September 13, 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, September 13, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, September 13, 2018 or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Thursday, September 13, 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, September 13, 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, September 13, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, September 13, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Post-IPO Share Option Scheme) and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUA MEDICINE, GOLDMAN SACHS (ASIA) L.L.C. AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Hua Medicine (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-5 to I-75, which comprise the consolidated statements of financial position of the Group at December 31, 2016 and 2017 and March 31, 2018, the statements of financial position of the Company at December 31, 2016 and 2017 and March 31, 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31,2017 and the three months ended March 31, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated August 31, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1.2 to the Historical Financial Information and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of the preparation set out in note 1.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position at December 31, 2016 and 2017 and March 31, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 1.2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 1.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Internal Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 15 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 31, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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 AND OTHER COMPREHENSIVE EXPENSE

	NOTES	Year ended December 31		Three months ended March 31	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income	6	1,030	11,706	224	6,110
Other gains and losses	7	10,295	(6,557)	(759)	(8,826)
Administrative expenses		(19,482)	(31,086)	(4,300)	(13,725)
Finance cost	8	(4,562)	(2,958)	—	(4,500)
Listing expenses		—	—	—	(10,515)
Research and development expenses		(75,272)	(125,337)	(10,461)	(43,342)
Loss on changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	25	(274,417)	(126,456)	(138,704)	(247,524)
Loss before tax	9	(362,408)	(280,688)	(154,000)	(322,322)
Income tax expense	10	—	—	—	—
Loss and total comprehensive expense for the year/period		(362,408)	(280,688)	(154,000)	(322,322)
Loss and total comprehensive expense for the year/period attributable to:					
- Owners of the Company		(361,328)	(272,714)	(153,606)	(321,053)
- Non-controlling interests		(1,080)	(7,974)	(394)	(1,269)
		(362,408)	(280,688)	(154,000)	(322,322)
		RMB	*RMB*	*RMB*	*RMB*
LOSS PER SHARE	14				
Basic and diluted		(3.79)	(2.64)	(1.56)	(2.92)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31 2016	At December 31 2017	At March 31 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Plant and equipment	16	878	2,641	2,816
Other non-current assets	17	1,313	10,855	12,694
Prepayment to related parties	19	—	—	4,700
		2,191	13,496	20,210
Current assets				
Prepayments and other receivables	18	1,306	23,364	27,093
Prepayment to related parties	19	334	20,090	27,137
Other financial assets	20	30,000	16,101	16,239
Bank balances and cash	21	192,901	172,733	836,064
		224,541	232,288	906,533
Current liabilities				
Trade and other payables	22	5,307	12,377	31,744
Amounts due to related parties	23	9,690	23,320	15,551
Deferred income	24	10,284	7,300	2,000
		25,281	42,997	49,295
Net Current Assets		199,260	189,291	857,238
Total Assets Less Current Liabilities		201,451	202,787	877,448
Non-current liabilities				
Deferred income	24	12,159	6,528	6,528
Financial liabilities at FVTPL	25	855,488	1,138,789	2,130,774
		867,647	1,145,317	2,137,302
Net Liabilities		(666,196)	(942,530)	(1,259,854)
Capital and reserves				
Share capital	26	48	48	48
Reserves		(670,190)	(953,928)	(1,262,810)
Equity attributable to owners of the Company		(670,142)	(953,880)	(1,262,762)
Non-controlling interests		3,946	11,350	2,908
Total Deficit		(666,196)	(942,530)	(1,259,854)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31 2016	At December 31 2017	At March 31 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current Assets				
Investments in subsidiaries	34	254,530	359,184	530,326
Prepayment to related parties	19	—	—	4,700
		254,530	359,184	535,026
Current Assets				
Other receivables	18	73	66	2,346
Prepayment to related parties	19	—	—	6,288
Bank balances and cash	21	74,144	66,331	667,767
		74,217	66,397	676,401
Current Liabilities				
Trade and other payables	22	14	1,035	18,175
Amounts due to related parties	23	—	18,994	—
		14	20,029	18,175
Net Current Assets		74,203	46,368	658,226
Total Assets Less Current Liabilities		328,733	405,552	1,193,252
Non-current liabilities				
Financial liabilities at FVTPL	25	822,641	1,038,835	2,098,169
Net Liabilities		(493,908)	(633,283)	(904,917)
Capital and Reserves				
Share capital	26	48	48	48
Reserves	27	(493,956)	(633,331)	(904,965)
Total Deficit		(493,908)	(633,283)	(904,917)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Share option reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficit
	RMB'000	*RMB'000*	*RMB'000 (Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note)*	*RMB'000*
At January 1, 2016	48	—	—	7,923	(315,232)	(307,261)	—	(307,261)
Loss and total comprehensive expense for the year	—	—	—	—	(361,328)	(361,328)	(1,080)	(362,408)
Subsidiary's ordinary share issued to non-controlling investors	—	—	98,644	—	—	98,644	5,015	103,659
Effect of put option granted to non-controlling investors to convert their equity interests in subsidiary to the Company's redeemable convertible preferred shares	—	—	(103,659)	—	—	(103,659)	—	(103,659)
Recognition of equity-settled share-based payment	—	—	—	3,462	—	3,462	11	3,473
At December 31, 2016	48	—	(5,015)	11,385	(676,560)	(670,142)	3,946	(666,196)
Loss and total comprehensive expense for the year	—	—	—	—	(272,714)	(272,714)	(7,974)	(280,688)
Subsidiary's ordinary share issued to non-controlling investors	—	—	120,850	—	—	120,850	15,203	136,053
Effect of put option granted to non-controlling investors to convert their equity interests in subsidiary to the Company's redeemable convertible preferred shares	—	—	(136,053)	—	—	(136,053)	—	(136,053)
Recognition of equity-settled share-based payment	—	—	—	4,179	—	4,179	175	4,354
At December 31, 2017	48	—	(20,218)	15,564	(949,274)	(953,880)	11,350	(942,530)
At January 1, 2017	48	—	(5,015)	11,385	(676,560)	(670,142)	3,946	(666,196)
Loss and total comprehensive expense for the period (unaudited)	—	—	—	—	(153,606)	(153,606)	(394)	(154,000)
Subsidiary's ordinary share issued to non-controlling investors (unaudited)	—	—	87,667	—	—	87,667	9,514	97,181
Effect of put option granted to non-controlling investors to convert their equity interests in subsidiary to the Company's redeemable convertible preferred shares (unaudited)	—	—	(97,181)	—	—	(97,181)	—	(97,181)
Recognition of equity-settled share-based payment (unaudited)	—	—	—	1,319	—	1,319	29	1,348
At March 31, 2017 (unaudited)	48	—	(14,529)	12,704	(830,166)	(831,943)	13,095	(818,848)

	Attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Share option reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficit
	RMB'000	*RMB'000*	*RMB'000 (Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note)*	*RMB'000*
At January 1, 2018	48	—	(20,218)	15,564	(949,274)	(953,880)	11,350	(942,530)
Loss and total comprehensive expense for the period	—	—	—	—	(321,053)	(321,053)	(1,269)	(322,322)
Subsidiary's ordinary share issued to non-controlling investors	—	—	61,188	—	—	61,188	2,924	64,112
Effect of put option granted to non-controlling investors to convert their equity interests in subsidiary to the Company's redeemable convertible preferred shares	—	—	(64,112)	—	—	(64,112)	—	(64,112)
Repurchase of subsidiary's ordinary shares from non-controlling investors	—	—	10,203	—	—	10,203	(10,203)	—
Option exercised to purchase ordinary shares(note 26)	—	549	—	—	—	549	—	549
Recognition of equity-settled share-based payment	—	—	—	4,343	—	4,343	106	4,449
At March 31, 2018	48	549	(12,939)	19,907	(1,270,327)	(1,262,762)	2,908	(1,259,854)

Note: To accommodate the needs of certain investors in the People's Republic of China (the "PRC") in the Company's Series C preferred share financing, Hua Medicine (Shanghai) Co., Ltd., the Company's subsidiary located in the PRC ("Hua Shanghai"), issued 711,111 ordinary shares to those investors ("Series C PRC Investors") for cash consideration of US$16,000,000 (RMB equivalent 103,659,000) in April 2016 as the initial closing and 933,334 ordinary shares for cash consideration of US$21,000,000 (RMB equivalent 136,053,000) in March 2017 as the second closing. To accommodate the needs of certain PRC investors in the Company's Series D Preferred Share financing, Hua Shanghai issued 899,758 ordinary shares to those investors ("Series D PRC Investors") for cash consideration of US$10,000,000 (RMB equivalent 64,112,000) in January 2018. The Company recognized non-controlling interests based on the proportion share of net assets of Hua Shanghai on each investment date and the loss and other comprehensive expenses from Hua Shanghai attributable to non-controlling interests subsequently. Concurrently with the investment in Hua Shanghai, the Company wrote the Series C PRC Investors and Series D PRC Investors put options to convert their equity interests in Hua Shanghai to the Company's Series C and Series D preferred shares respectively. The Group recognized the gross obligations from such put options over Hua Shanghai as financial liabilities at FVPTL as set out in note 25. The debit in equity on initial recognition of the written options net of deemed gains from the contributions by Series C PRC Investors and Series D PRC Investors is presented as other reserves.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended December 31		Three months ended March 31	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
OPERATING ACTIVITIES					
Loss before tax		(362,408)	(280,688)	(154,000)	(322,322)
Adjustments for:					
Loss on changes in fair value of financial liabilities at FVTPL		274,417	126,456	138,704	247,524
Bank interest income		(435)	(1,191)	(224)	(304)
Income from government grants		(560)	(9,724)	—	(5,440)
Depreciation of plant and equipment		361	637	113	241
Financial cost		4,562	2,958	—	4,500
Share-based payment expense		3,473	4,354	1,348	4,449
Gain from changes in fair value of other financial assets		(971)	(1,761)	(104)	(138)
Net unrealized foreign exchange (gain) loss		(9,318)	8,830	863	8,884
Gain on disposal of plant and equipment		—	(24)	—	—
Operating cash flows before movements in working capital		(90,879)	(150,153)	(13,300)	(62,606)
Increase in prepayments and other receivables		(59)	(22,058)	(474)	(3,629)
Decrease (increase) in prepayments to related parties		227	(19,756)	(3,874)	(11,747)
(Decrease) increase in trade and other payables		(570)	7,070	(2,964)	14,948
Increase in value added tax recoverable		(1,313)	(9,542)	(716)	(1,839)
Increase in deferred income		7,925	1,109	228	140
Increase (decrease) in amounts due to related parties		8,618	(5,364)	(1,418)	(1,352)
NET CASH USED IN OPERATING ACTIVITIES		(76,051)	(198,694)	(22,518)	(66,085)

	NOTES	Year ended December 31		Three months ended March 31	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
INVESTING ACTIVITIES					
Interest received from bank		435	1,191	224	304
Proceeds from disposal of plant and equipment		—	43	—	2
Purchase of plant and equipment		(647)	(2,419)	(121)	(418)
Proceeds on disposal of other financial assets		249,971	276,660	30,104	—
Placement of other financial assets		(279,000)	(261,000)	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(29,241)	14,475	30,207	(112)
FINANCING ACTIVITIES					
Prepayments from investors for the issue of the Company's convertible redeemable preferred shares	35	—	19,017	—	—
Proceeds from exercise of share options	35	—	—	—	549
Proceeds from the issue of the Company's convertible redeemable preferred shares	35	52,162	20,792	20,792	673,909
Proceeds from the issue of subsidiary's ordinary shares and written put options over subsidiary	35	103,659	136,053	97,181	64,112
Transaction costs for the issue of the Company's convertible redeemable preferred shares	35	(4,562)	(2,958)	—	—
Payments relating to issue costs	35	—	—	—	(100)
NET CASH FROM FINANCING ACTIVITIES		151,259	172,904	117,973	738,470
Effects of exchange rate changes		9,325	(8,853)	(863)	(8,942)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		55,292	(20,168)	124,799	663,331
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		137,609	192,901	192,901	172,733
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH		192,901	172,733	317,700	836,064

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

1.1 General Information

The Company was established in the Cayman Islands as an exempted company with limited liability on November 10, 2009. The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "Group") are principally engaged in developing a global first-in-class oral drug, Dorzagliatin or HMS5552, for the treatment of Type 2 diabetes.

1.2 Basis of preparation of the Historical Financial Information

On August 12, 2010, the Company established Hua Medicine Technology (Hong Kong) Limited ("Hua HK", formerly known as Hua Medicine Limited) with a paid in capital of US Dollar ("US$") 1. On June 22, 2011, the Company established Hua Shanghai with a paid in capital of US$5,000,000.

Notwithstanding that the Group recorded net liabilities of RMB1,259,854,000 at March 31, 2018, the Historical Financial Information has been prepared on the going concern basis as the convertible redeemable preferred shares would not be contractually redeemable within the next twelve months period and the directors of the Company assessed that the Group has sufficient bank balances and cash to sustain its operation for the next twelve months.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Historical Financial Information.

No audited statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.

2. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the financial year beginning on January 1, 2018 throughout the Track Record Period.

New and amendments to standards and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after January 1, 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after January 1, 2021

Except as disclosed below, the directors of the Company anticipate that application of the new and amendments to IFRSs will have no material impact on the Group's future financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets. The management of the Group expected that, such changes would increase the consolidated asset and consolidated liabilities of the Group, but would not result in a significant impact to the consolidated financial performance in the Group's future financial statements.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by IFRS 16.

At March 31, 2018, the Group has non-cancellable operating lease commitments of approximately RMB3,406,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB472,000 as at March 31, 2018 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment,* leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owner of the Company.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Investment in a subsidiary

Investment in a subsidiary is included in the statements of financial position of the Company at cost less any identified impairment losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expenses on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specially, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are designated as grants related to assets and recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets; while the government grants whose primary condition is to compensate for research projects or other than purchase, construct or otherwise acquire long-term assets are designated as grants related to income. Some of the grants related to income have future related costs expected to be incurred, and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;

- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

Share options/restricted shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments is determined at the grant date without taking into consideration all non-market vesting conditions and the equity-settled share-based payments are expensed by tranche (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted

shall be vested is hereinafter referred to as a "Tranche") over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group reviews its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

When the share options are exercised or when the restricted shares are vested, the Company issues new ordinary shares, and the amount previously recognized in the share option reserve will continue to be held in share options reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share option reserve will continue to be held in share options reserve.

Share options granted to individual consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the goods or services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income as directly in equity, respectively.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the "other income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'investment income' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item (note 7).

Impairment of financial assets

The Group recognizes a loss allowance for ECL on investments in debt instruments that are measured at amortized cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL 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 IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Because the Group's convertible redeemable preferred shares contained multiple embedded derivatives, the convertible redeemable preferred shares are designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities and is included in the 'loss on changes in fair value of convertible redeemable preferred shares' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in note 25.

Obligation arising from put options over the ordinary shares of a subsidiary written to non-controlling shareholders

Put options written by the Company to non-controlling shareholders are accounted for as derivatives and are recognized at fair value upon initial recognition. Any changes of their fair values in subsequent reporting dates are recognized in the profit or loss.

The gross financial liability arising from the put options is recognized when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognized and subsequently measured at fair value of the financial instruments to be issued to exchange for the shares in a subsidiary with the corresponding debit to 'other reserve'. Prior to the exercise of the put options by non-controlling shareholders, the remeasurement of the estimated gross obligations under the written put options to the non-controlling shareholders is recognized in the profit or loss.

Financial liabilities subsequently measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized 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 premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (note 7).

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenses

Research and development expenses incurred on the Group's drug product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. All expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

Fair value of financial liabilities at FVTPL

The Company has issued convertible redeemable preferred shares and has written put options over a subsidiary's ordinary shares to a group of investors during the Track Record Period as set out in note 25. The Group recorded these financial instruments as financial liabilities at FVTPL in which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques. These techniques include back-solve method and adopted equity allocation model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different

scenarios such as initial public offering, liquidation and redemption, and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL as at December 31, 2016, December 31, 2017 and March 31, 2018 is RMB855 million, RMB1,139 million and RMB2,131 million, respectively.

5. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's Chief Executive Officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is present.

The Group did not record any revenue during the Track Record Period and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

6. OTHER INCOME

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Bank interest income	435	1,191	224	304
Government grants and subsidies related to income (note)	595	10,515	—	5,806
	1,030	11,706	224	6,110

Note:

The government grants and subsidies related to income have been received to compensate for the expenses of Group's research and development. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to incomes were recognized in profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance. Details of these grants related to assets are set out in note 24.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

7. OTHER GAINS AND LOSSES

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Gain on disposal of plant and equipment	—	24	—	—
Net foreign exchange (loss) gain	9,324	(8,315)	(863)	(8,964)
Gain from changes in fair value of other financial assets				
- realized	971	1,660	104	—
- unrealized	—	101	—	138
Others	—	(27)	—	—
	10,295	(6,557)	(759)	(8,826)

8. FINANCE COST

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Transaction cost for the issue of the Company's convertible redeemable preferred shares and written put option over subsidiary	(4,562)	(2,958)	—	(4,500)

9. LOSS BEFORE TAX

Loss before tax for the year/period has been arrived at after charging:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation for plant and equipment	361	637	113	241
Staff cost (including directors' emoluments):				
- Salaries and other benefits	16,002	29,623	3,953	9,674
- Retirement benefit scheme contributions	1,618	3,070	511	1,225
- Share-based payment	3,473	4,354	1,348	4,449
	21,093	37,047	5,812	15,348
Auditors' remuneration	—	493	328	1,065
Minimum operating lease payment in respect of rented premises	1,252	2,358	383	741

10. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from income tax.

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax during the Track Record Period.

Under the Law of the PRC of Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiary is 25% during the Track Record Period.

The tax charge for the year/period can be reconciled to the loss per the consolidated statements of profit or loss and other comprehensive expense as follows:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss before tax	(362,408)	(280,688)	(154,000)	(322,322)
Income tax expense calculated at 25%	(90,602)	(70,172)	(38,500)	(80,581)
Tax effect of income not taxable for tax purpose	(140)	(2,629)	—	(1,452)
Tax effect of expenses that are not deductible for tax purpose	73,709	40,664	36,204	69,375
Effect of research and development expenses that are additionally deducted	(6,672)	(18,643)	(1,116)	(6,514)
Tax effect of tax losses and deductible temporary differences not recognized	23,705	50,780	3,412	19,172
Income tax expenses recognized in profit or loss	—	—	—	—

The Group has unused tax losses of RMB217,986,000, RMB408,287,000 and RMB480,589,000 available for offset against future profits at December 31, 2016 and 2017 and March 31, 2018 respectively. The Group had no deductible temporary differences as of December 31, 2016 and 2017 and had deductible temporary differences of RMB4,386,000 as of March 31, 2018, which is mainly related to finance and accrued expenses. Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

The unrecognized tax losses will be carried forward and expire in years as follows:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
2017	12,819	—	—
2018	27,254	27,254	27,254
2019	38,151	38,151	38,151
2020	44,942	44,942	44,942
2021	94,820	94,820	94,820
2022	—	203,120	203,120
2023	—	—	72,302
	217,986	408,287	480,589

11. LICENSE AGREEMENT

In December 2011, the Company entered into a research, development and commercialization agreement ("GKA Agreement") with Hoffman-La Roche Inc., and F. Hoffman-La Roche AG (collectively referenced as "Roche") under which Roche granted the Company an exclusive license of patent rights, know-how and regulatory filings with respect to a compound which is a glucokinase activator to research, develop and commercialize products ("Licensed Product") in the field of diabetes in the licensed territory ("Licensed Territory"). Pursuant to the GKA Agreement, the Company made US$2,000,000 non-refundable upfront payment to Roche which was recorded as research and development expenses in 2012.

In 2017, the Company made US$1,000,000 milestone payment to Roche upon the commencement of clinical trial Phase III in the mainland China for the Licensed Product which was recorded as research and development expenses as incurred.

The Company is obligated to make US$4,000,000 milestone payments upon the achievement of development of the Licensed Product through new drag approval in China and US$33,000,000 in the Licensed Territory other than China. Upon commercialization, the Company is contingently obligated to make US$ 15,000,000 milestone payments for the first time when the territory-wide calendar year net sales exceed US$500,000,000 and US$40,000,000 milestone payments for the first time when the territory-wide calendar year net sales exceed US$1,000,000,000. The Company is also obligated to make royalty payments at the applicable incremental royalty rate based on sales of the Licensed Product.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the Track Record Period are as follows:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2016					
Chief Executive and executive director					
Dr. Li CHEN	—	2,783	42	291	3,116
Non-executive directors					
Mr. Bryan ROBERTS	—	—	—	—	—
Mr. Daniel AUERBACH	—	—	—	—	—
Mr. Frank YU	—	—	—	—	—
Dr. Ge LI (note 1)	—	—	—	—	—
Dr. John J. BALDWIN	—	—	—	212	212
Dr. Leon CHEN	—	—	—	—	—
Mr. Robert T. NELSEN	—	—	—	—	—
Mr. Xiao Chuan QIU	—	—	—	—	—
	—	2,783	42	503	3,328
For the year ended December 31, 2017					
Chief Executive and executive director					
Dr. Li CHEN	—	3,312	46	669	4,027
Non-executive directors					
Mr. Bryan ROBERTS	—	—	—	—	—
Mr. Daniel AUERBACH	—	—	—	—	—
Mr. Frank YU	—	—	—	—	—
Dr. Ge LI (note 1)	—	—	—	—	—
Dr. John J. BALDWIN	—	—	—	84	84
Dr. Leon CHEN	—	—	—	—	—
Mr. Robert T. NELSEN	—	—	—	—	—
Mr. Xiao Chuan QIU	—	—	—	—	—
	—	3,312	46	753	4,111

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended March 31, 2017 (unaudited)					
Chief Executive and executive director					
Dr. Li CHEN	—	791	11	222	1,024
Non-executive directors					
Mr. Bryan ROBERTS	—	—	—	—	—
Mr. Daniel AUERBACH	—	—	—	—	—
Mr. Frank YU	—	—	—	—	—
Dr. Ge LI (note 1)	—	—	—	—	—
Dr. John J. BALDWIN	—	—	—	27	27
Dr. Leon CHEN	—	—	—	—	—
Mr. Robert T. NELSEN	—	—	—	—	—
Mr. Xiao Chuan QIU	—	—	—	—	—
	—	791	11	249	1,051
Three months ended March 31, 2018					
Chief Executive and executive director					
Dr. Li CHEN	—	888	12	318	1,218
Non-executive directors					
Mr. Bryan ROBERTS	—	—	—	—	—
Mr. Daniel AUERBACH	—	—	—	—	—
Mr. Erdong HUA (note 2)	—	—	—	—	—
Mr. Frank YU	—	—	—	—	—
Dr. John J. BALDWIN	—	—	—	13	13
Dr. Leon CHEN	—	—	—	—	—
Dr. Robert T. NELSEN	—	—	—	—	—
Mr. Xiao Chuan QIU	—	—	—	—	—
	—	888	12	331	1,231

Note 1: Dr. Ge Li served as a member of the board of directors of the Company during the Track Record Period. He provided advice and input consistent with the other board members. He did not participate in the Company's daily operations. He resigned and was removed from the list of the directors of the Company on December 26, 2017 to focus on his core business, WuXi AppTec.

Note 2: Mr. Erdong HUA was appointed as a director of the Company on January 22, 2018.

The executive director's emoluments shown above were for his service in connection with the management of the affairs of the Company and the Group.

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Track Record Period.

Certain directors were granted share options and restricted shares in respect of their services to the Group under the pre-IPO share incentive scheme of the Company. Details of the pre-IPO share incentive scheme are set out in note 28.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included one director of the Company for the years ended December 31, 2016 and 2017 and three months ended March 31, 2017 and 2018, details of whose remuneration are set out in note 12 above. Details of the remuneration for the remaining four highest paid employees for the years ended December 31, 2016 and 2017 and three months ended March 31, 2017 and 2018, respectively, are as follows:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other benefits	4,881	3,685	921	1,502
Retirement benefit scheme contributions	84	137	34	35
Performance based bonus	878	1,650	413	2,039
Share-based payment	691	1,124	363	378
	6,534	6,596	1,731	3,954

The emoluments of these employees (including the director) are within the following bands:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	No. of employees	*No. of employees*	*No. of employees (unaudited)*	*No. of employees*
Nil to Hong Kong Dollars ("HK$") 1,000,000	—	—	4	3
HK$1,000,001 to HK$1,500,000	1	—	1	1
HK$1,500,001 to HK$2,000,000	2	3	—	—
HK$2,000,001 to HK$2,500,000	—	1	—	—
HK$2,500,001 to HK$3,000,000	1	—	—	1
HK$4,000,001 to HK$4,500,000	1	—	—	—
HK$4,500,001 to HK$5,000,000	—	1	—	—

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Loss for the year/period attributable to the owners of the Company for the purpose of basic and diluted loss per share	(361,328)	(272,714)	(153,606)	(321,053)

Number of Shares:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
			(unaudited)	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	95,423,694	103,486,850	98,700,165	110,120,997

The computation of basic and diluted loss per share for the years ended December 31, 2016 and 2017 and three months ended March 31, 2017 and 2018 respectively excluded the unvested restricted shares of the Company. Details of these restricted shares are set out in note 28.

The weighted average number of shares for the purpose of basic and diluted loss per share for the years ended December 31, 2016 and 2017 and three months ended March 31, 2017 and 2018 is calculated based on the assumption that the Capitalization Issue of the share allotment as disclosed in note 36 have been adjusted retrospectively.

The computation of diluted loss per share for the years ended December 31, 2016 and 2017 and three months ended March 31, 2017 and 2018 respectively did not assume conversion of the convertible redeemable preferred shares, the exercise of share options or the restricted shares since their assumed conversion or exercise would result in a decrease in loss per share.

15. DIVIDENDS

No dividend was paid or declared by the Company since its incorporation.

16. PLANT AND EQUIPMENT

	Motor vehicles	Furniture fixtures and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At January 1, 2016	574	626	1,200
Additions	—	647	647
At December 31, 2016	574	1,273	1,847
Additions	452	1,967	2,419
Disposals	(166)	(56)	(222)
At December 31, 2017	860	3,184	4,044
Additions	—	418	418
Disposals	—	(32)	(32)
At March 31, 2018	860	3,570	4,430
Accumulated depreciation			
At January 1, 2016	287	321	608
Charge for the year	173	188	361
At December 31, 2016	460	509	969
Charge for the year	160	477	637
Eliminated on disposals	(154)	(49)	(203)
At December 31, 2017	466	937	1,403
Charge for the period	27	214	241
Eliminated on disposals	—	(30)	(30)
At March 31, 2018	493	1,121	1,614
Carrying amount			
At December 31, 2016	114	764	878
At December 31, 2017	394	2,247	2,641
At March 31, 2018	367	2,449	2,816

The above items of plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Motor vehicles	4 years
Furniture, fixtures and equipment	3-5 years

17. OTHER NON-CURRENT ASSETS

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Value added tax recoverable	1,313	10,855	12,694

Value added tax recoverable was recorded as long-term assets since they are expected to be deducted from future value added tax payables arising on the Group's revenue which are not expected to be generated within the next 12 months from the end of the Track Record Period.

18. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for research and development services	691	21,795	23,135
Utility and rental deposits	189	608	483
Deferred listing costs	—	—	2,283
Others	426	961	1,192
	1,306	23,364	27,093

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Deferred listing costs	—	—	2,283
Others	73	66	63
	73	66	2,346

19. PREPAYMENT TO RELATED PARTIES

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepayments for research and development services (note i)			
Shanghai STA Pharmaceutical R&D Co., Ltd.	334	2,680	2,728
Shanghai SynTheAll Pharmaceutical Co., Ltd.	—	5,393	5,393
WuXi AppTec (Shanghai) Co., Ltd.	—	425	491
Shanghai MedKey Med-Tech Development Co., Ltd.	—	7,288	3,486
WuXi Clinical Development Services (Shanghai) Co., Ltd.	—	4,304	8,681
WuXi AppTec (Suzhou) Co., Ltd.	—	—	70
	334	20,090	20,849
Prepaid remuneration (note ii)	—	—	6,288
	334	20,090	27,137
Non-current:			
Prepaid remuneration (note ii)	—	—	4,700

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepaid remuneration (note ii)	—	—	6,288
Non-current:			
Prepaid remuneration (note ii)	—	—	4,700

Note i: The relationship with related parties is set out in note 30.

Note ii: The Company hired a senior management in January 2018 and paid US$2,000,000 (RMB equivalent 13,016,000) as an inducement to join the Company. Pursuant to the employment agreement, the employee would be obligated to remain in the Company's employment for 24 months since the hiring date. If the employee left the Company before the end of the 24 months period, the employee would be obligated to repay the Company a portion of the inducement proportionate to the remaining unfulfilled service period. As such, the Company recognized the inducement as prepayment and amortize it over the required service period.

20. OTHER FINANCIAL ASSETS

The Group entered into contracts of financial product (the "Financial Products") with a bank as at December 31, 2016, December 31, 2017 and March 31, 2018, which have been classified as financial assets at FVTPL on initial recognition. The return of the Financial Products was determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market and the derivative financial instruments. The initial investment cost of the Financial Products as at December 31, 2016, December 31, 2017 and March 31, 2018 are RMB30,000,000, RMB16,000,000 and RMB16,000,000, the expected return rate stated in the contract as at December 31, 2016, December 31, 2017 and March 31, 2018 are 2.80% per annum, 2.80% per annum and 2.30% per annum, respectively.

21. BANK BALANCES AND CASH

The Group

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short term bank deposits carry interests at market rates which ranged from 0.001% to 1.350% as at December 31, 2016, from 0.001% to 1.956% per annum as at December 31, 2017, and 0.001% to 0.350% per annum as at March 31, 2018.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
US$	139,825	141,876	769,289
Taiwan Dollars ("TWD")	3	3	3
HK$	5	2	8,547

The Company

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rate which was 0.001% as at December 31, 2016, December 31, 2017, and March 31, 2018.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
US$	74,131	66,323	659,214
HK$	5	2	8,547

22. TRADE AND OTHER PAYABLES

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	779	4,022	10,694
Payroll and bonus payables	4,330	8,000	4,297
Payable for listing and finance costs	—	—	16,628
Others	198	355	125
	5,307	12,377	31,744

The average credit period on purchases of goods/services ranges up to 30 days.

The aging analysis of the trade payables presented based on the goods/services receipt date at the end of each reporting period is as follows:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	779	3,974	9,797
31 to 60 days	—	—	14
61 to 180 days	—	—	834
181 to 365 days	—	48	43
More than 365 days	—	—	6
	779	4,022	10,694

Analysis of trade and other payables denominated in currencies other than RMB is set out below:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
US$	14	1,035	16,649

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	14	—	603
Payroll and bonus payables	—	1,035	944
Payable for listing and finance expenses	—	—	16,628
	14	1,035	18,175

The average credit period on purchases of goods/services ranges up to 30 days.

The aging analysis of the trade payables presented based on the goods/services receipt date at the end of each reporting period is as follows:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	14	—	603

Analysis of trade and other payables denominated in currencies other than RMB is set out below:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
US$	14	1,035	16,649

23. AMOUNTS DUE TO RELATED PARTIES

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Amounts payable for receipt of research and development services-trade (note i):			
Shanghai STA Pharmaceutical R&D Co., Ltd.	—	2,752	413
WuXi AppTec (Shanghai) Co., Ltd.	9,066	1,319	2,306
WuXi AppTec (Suzhou) Co., Ltd.	247	—	—
Shanghai MedKey Med-Tech Development Co., Ltd.	377	255	255
	9,690	4,326	2,974
Amounts payable to investors for equity transfer-non-trade (note ii):	—	—	12,577
Receipt in advance from investors for the issue of convertible redeemable preferred shares-non-trade (note iii)	—	18,994	—
	9,690	23,320	15,551

Note i: The relationship with these related parties is set out in note 30.

Note ii: In January 2018, PRC Investors who participated in purchasing Series C-2 convertible redeemable preferred shares and Series D-2 convertible redeemable preferred shares of the Company exercised share purchase option granted by the Company ("Share Purchase Option") to convert their equity interests in Hua Shanghai into Series C convertible redeemable preferred shares and Series D-1 convertible redeemable preferred shares, respectively. Concurrently with the exercise of the Share Purchase Option, those PRC investors disposed all their equity interests in Hua Shanghai to Hua HK, for cash consideration of US$2,000,000 (RMB equivalent 12,577,000), which remained outstanding as at March 31, 2018 and subsequently paid by Hua HK in April 2018.

Note iii: The amount of the Company as at December 31, 2017 represents the receipt in advance from investors for the issue of convertible redeemable preferred shares. Certain investors participated in Series D convertible redeemable preferred shares ("Series D Preferred Shares") paid RMB18,994,000 to the Company as cash consideration for subscription of series D Preferred Shares during the last week of December 2017 upon agreeing the term sheet of the investment with the Company. The Company recognized the amount as the receipt in advance from investors to purchase series D Preferred Shares as at December 31, 2017. Series D Preferred Shares were subsequently issued in March 2018 as set out in note 25 and therefore the receipt in advance from investors was reclassified to financial liabilities at FVTPL.

Analysis of amounts due to related parties denominated in currencies other than RMB is set out below:

	As at December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
US$	—	18,994	12,577

The Company

The amounts of the Company as at December 31, 2017 represent the receipt in advance from investors for the issue of convertible redeemable preferred shares as set out in note iii above. The amounts are denominated in US$.

24. DEFERRED INCOME

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Government grants received			
- current liabilities	10,284	7,300	2,000
- non-current liabilities	12,159	6,528	6,528
	22,443	13,828	8,528

Movements of income related government grants

	RMB'000
At January 1, 2016	15,078
Government grants received	7,925
Credited to profit or loss	(560)
At December 31, 2016	22,443
Government grants received	1,109
Credited to profit or loss	(9,724)
At December 31, 2017	13,828
Government grants received	140
Credited to profit or loss	(5,440)
At March 31, 2018	8,528

During the years ended December 31, 2016 and 2017 and three months ended March 31, 2018, the Group received subsidies related to its research and development activities. The grants were recognized upon the Group complying with the conditions attached to the grants and the government acknowledged acceptance. The grants were recognized in the profit or loss as other income.

25. FINANCIAL LIABILITIES AT FVTPL

In May 2014, the Company issued 5,499,999 Series A-1 convertible redeemable preferred shares ("Series A-1 Preferred Shares") and 20,916,409 Series A-2 convertible redeemable preferred shares ("Series A-2 Preferred Shares"), (Series A-1 Preferred Shares and Series A-2 Preferred Shares) collectively referred to as the "Series A Preferred Shares") with a par value US$0.001 per share to a group of investors for a cash consideration of US$5,499,999 (RMB equivalent 33,895,000) or US$1.00 per share and US$15,687,307 (RMB equivalent 96,678,000) or US$0.75 per share, from conversion of existing loans extended by Series A-2 Preferred Shares investors to the Company, respectively.

In January and August 2015, the Company issued 7,142,857 Series B convertible redeemable preferred shares ("Series B Preferred Shares") with a par value of US$0.001 per share to a group of investors including existing preferred share investors for a cash consideration of US$25,000,000 (RMB equivalent 153,050,000) or US$3.5 per share.

In April 2016, the Company issued 794,963 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") to a group of investors for a cash consideration of US$8,000,000 (RMB equivalent 52,162,000) or US$10.06335 per share as the initial closing and issued another 298,111 Series C-1 Preferred Shares for a cash consideration of US$3,000,000 (RMB equivalent 20,792,000) or US$10.06335 per share as the second closing.

In April, 2016, the Company issued 1 Series C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares") and 1 Series C-3 convertible redeemable preferred shares ("Series C-3 Preferred Shares") for a nominal consideration or par value US$0.001 per share to a group of investors. Certain affiliates of the holders of Series C-2 Preferred Shares and Series C-3 Preferred Shares ("Series C Option Holders") entered into a share purchase agreement ("Subsidiary Investment Agreement") with Hua Shanghai, concurrently. Pursuant to the Subsidiary Investment Agreement, Series C Option Holders made an aggregate investment of US$16,000,000 (RMB equivalent 103,659,000) to Hua Shanghai in April 2016 as the initial closing and another aggregate investment of US$21,000,000 (RMB equivalent 136,053,000) to Hua Shanghai in March 2017 as the second closing. Upon the completion of the initial closing and second closing, the Company granted Series C Option Holders an option right ("Series C Share Purchase Option") to convert their equity interests in Hua Shanghai to the Company's Series C-1 Preferred Shares. Before exercise of the Share Purchase Option, those Series C Option Holders hold ordinary shares of Hua Shanghai. Pursuant to the Subsidiary Investment Agreement, Series C Option Holders shall be treated as if they have exercised their Share Purchase Option and converted their equity interest in Hua Shanghai into the Series C-1 Preferred Shares and shall be subject to the same rights and obligations of, and shall rank pari passu with, the holders of the Series C-1 Preferred Shares. On an as-exercised basis upon second closing, the holders of Series C-2 Preferred Shares shall be deemed as holders of 2,981,113 Series C-1 Preferred Shares for deemed preferred shares issue price of US$30,000,000 (RMB equivalent 194,361,000) or US$10.06335 per share and the holders of Series C-3 Preferred Shares shall be deemed as holders of 695,592 Series C-1 Preferred Shares for a deemed preferred shares issue price of US$7,000,000 (RMB equivalent 45,350,900) or US$10.06335 per share. From January through April 2018, Series C Option Holders exercised the Series C Share Purchase Option to convert all their equity interests in Hua Shanghai into Series C-1 Preferred Shares of the Company.

In January 2018, the Company issued 3,599,030 Series D-1 convertible redeemable preferred shares ("Series D-1 Preferred Shares") for a cash consideration of US$39,999,979 (RMB equivalent 254,609,000) or US$11.1141 per share to existing investors and 1 Series D-2 convertible redeemable preferred shares ("Series D-2 Preferred Shares") for a nominal consideration or par value US$0.001 per share to the holders of Series D-2 Preferred Shares. Certain affiliates of the holders of Series D-2 Preferred Shares ("Series D Option Holders") entered into an amended share purchase agreement ("Amended Subsidiary Investment Agreement") with Hua Shanghai, concurrently. Pursuant to the Amended Subsidiary Investment Agreement, Series D Option Holders made a net aggregate investment of US$10,000,000 (RMB equivalent 64,112,000) to Hua Shanghai. Upon the completion of the investment, the Company granted Series D Option Holders an option right ("Series D Share Purchase Option") (Series C Share Purchase Option and Series D Share Purchase Option are collectively referred as "Share Purchase Option") to convert their equity interests in Hua Shanghai to the Company's Series D-1 Preferred Shares. Pursuant to the Amended Subsidiary Investment Agreement, the holders of Series D-2 Preferred Shares shall be treated as if they have exercised their Share Purchase Option and converted their equity interests in Hua Shanghai into the Series D-1 Preferred Shares and shall be subject to the same rights and obligations of, and shall rank pari passu with, the holders of the Series D-1 Preferred Shares. On an as-exercised basis, the holders of Series D-2 Preferred Shares shall be deemed as holders of 899,758 Series D-1 Preferred Shares for deemed preferred shares issue price of US$10,000,000 (RMB equivalent 64,112,000) or US$11.1141 per share. In January 2018, Series D Option Holders exercised the Share Purchase Option to convert their equity interests in Hua Shanghai into Series D-1 Preferred Shares of the Company.

In March 2018, the Company issued 5,064,833 Series E convertible redeemable preferred shares ("Series E Preferred Shares") to a group of investors for a cash consideration of US$67,368,863 (RMB equivalent 425,740,000) or US$13.3013 per share.

The key terms of the Series A-1, A-2, B, C-1, C-2, C-3, D-1, D-2 and E Preferred Shares (collectively "Preferred Shares") are as follows:

Conversion Rights

Each holder of Series A-1, A-2, B, C-1, D-1 and E Preferred Shares shall be convertible, at the option of the holders of Series A-1, A-2, B, C-1, D-1 and E Preferred Shares, into ordinary shares based on a one-for-one basis at any time after the date of issuance of Preferred Shares. And thereafter shall be subject to adjustment and readjustment from time to time for any share dividends, combination or split, being no less than par value.

The Preferred Shares will be automatically converted into ordinary shares at the then applicable conversion price upon the earlier of (1) the closing of a Qualified Initial Public Offering (Qualified IPO), or (2) the date specified by written consent or agreement of majority holders of Preferred Shares.

None of the Series C-2, C-3 and D-2 Preferred Share can be actually converted into Ordinary Shares unless the holders of Series C-2 and C-3 Preferred Share and the holders of Series D-2 exercise their Share Purchase Option and converted their equity interests in Hua Shanghai into the Series C-1 Preferred Shares and Series D-1 Preferred Shares, respectively.

Qualified IPO means the closing of a firm commitment underwritten public offering of the ordinary shares of the Company (or depositary receipts or depositary shares therefor) in the United States pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, with certain minimum pre-offering valuation and net proceeds to the Company or in a public offering of the ordinary shares of the Company (or depositary receipts or depositary shares therefor) in another jurisdiction which results in the ordinary shares trading publicly on a recognized international securities exchange approved by the majority holders of Preferred Shares, voting as a single class, so long as such offering satisfies the foregoing pre-offering valuation requirements.

Voting Rights

Each holder of Series A-1, A-2, B, C-1, D-1 and E Preferred Shares are entitled to vote with ordinary investors on an as-converted basis. The holders of the Series C-2 and C-3 Preferred Shares and the holders of D-2 Preferred Shares shall each be entitled to such number of votes per share as equals the number of Series C-1 Preferred Shares and Series D-1 Preferred Shares on an as-exercised basis, respectively.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Group or of a substantial portion of the business of the Group (the "Liquidation Event"), whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Members shall be distributed to the Members of the Company in the sequence as follows:

(1) Series E Preferred Shares

(2) Series D Preferred Shares

(3) Series C Preferred Shares

(4) Series B Preferred Shares

(5) Series A Preferred Shares

If there are any assets or funds remaining after the accumulated senior Preferred Shares Preference Amount has been distributed or paid in full to the applicable holders of senior Preferred Shares, the holders of the less senior Preferred Shares shall be entitled to receive for each less senior Preferred Share held by such holder, the amount equal to 100% of the less senior Preferred Share Issue Price, plus all accrued but unpaid dividends. If the assets and funds thus distributed among the holders of the less senior Preferred Shares shall be insufficient to permit the payment to such holders of the full less senior Preferred Shares Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the less senior Preferred Shares.

Dividends

Each holder of Preferred Shares shall be entitled to receive accruing dividends at the rate of 4% per annum based on the actual number of days elapsed. Such dividends shall accrue from day to day, compounded annually, and be cumulative and payable (i) when, as and if declared by the Board of Directors or (ii) upon the occurrence of a Liquidation Event, in which case to the extent required by, and subject to, applicable law, the Board of Directors shall declare such dividends or distributions payable. Each holder of Preferred Shares shall also be entitled to participate on an as-converted basis pro-rata in any dividends or distributions paid to the holders of ordinary shares. In addition, each holder of Preferred Shares is also entitled to dividends on the Company's ordinary shares on an as if converted basis and the sequence of payment of dividends are as follows:

(1) Series E Preferred Shares

(2) Series D Preferred Shares

(3) Series C Preferred Shares

(4) Series B Preferred Shares

(5) Series A Preferred Shares

(6) ordinary shares

From inception of the Company through December 31, 2016 and 2017 and March 31, 2018, no dividend was declared or paid and no Liquidation Events occurred, therefore no dividends have been recorded in the Historical Financial Information.

Redemption Rights

The Preferred Shares shall be redeemed by the Company at a price equal to the Preferred Shares issue price per share, plus all accrued but unpaid dividends, at any time on or after four and a half years from the Preferred Share issue date.

Presentation and classification

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities and is included in the loss on changes in fair value of financial liabilities at FVTPL line item. Management considered that there is no credit risk of the financial liability that drives the change of the fair value of the financial liability.

The Group has recognized the gross obligations from Share Purchase Option written as financial liabilities carried at FVTPL as the put option is over the ordinary shares of Hua Shanghai and therefore does not meet the definition of equity for the Company. Such written put option over the ordinary shares of Hua Shanghai is classified as at FVTPL.

The Company has recognized the Share Purchase Option as financial liabilities carried at FVTPL.

The fair value of the Preferred Shares, gross obligation from Share Purchase Option written and the Share Purchase Option at the end of each reporting period is as follows:

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Preferred Shares	750,454	900,255	2,091,951
Gross obligation from Share Purchase Option written	105,034	238,534	38,823
	855,488	1,138,789	2,130,774

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Preferred Shares	750,454	900,255	2,091,951
Share Purchase Option	72,187	138,580	6,218
	822,641	1,038,835	2,098,169

The movement of the Preferred Shares, the gross obligation from Share Purchase Options written of the Group and Share Purchase Option of the Company is set out below:

The Group and the Company

	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares Initial Closing	Series C Preferred Shares 2nd Closing	Series D Preferred Shares	Series E Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Preferred Shares:							
At January 1, 2016	257,808	167,442	—	—	—	—	425,250
Issues	—	—	52,162	—	—	—	52,162
Changes in fair value	229,160	39,860	4,022	—	—	—	273,042
At December 31, 2016	486,968	207,302	56,184	—	—	—	750,454
Issues	—	—	—	20,792	—	—	20,792
Changes in fair value	120,239	13,703	(3,442)	(1,491)	—	—	129,009
At December 31, 2017	607,207	221,005	52,742	19,301	—	—	900,255
Issues	—	—	—	—	254,609	425,740	680,349
Changes in fair value	263,701	52,075	(21,373)	(18,769)	(34,951)	13,232	253,915
Converted from share purchase option	—	—	81,470	111,850	64,112	—	257,432
At March 31, 2018	870,908	273,080	112,839	112,382	283,770	438,972	2,091,951

As at December 31, 2016 and 2017 and March 31, 2018, the issued Preferred Shares shall be redeemed by the Company at a price equal to the Preferred Shares issue price per share, plus all accrued but unpaid dividends, within a period of more than two years but not exceeding five years, respectively.

The Group

	Series C Share Purchase Option Initial Closing	Series C Share Purchase Option 2nd Closing	Series D Share Purchase Option	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross obligation from Share Purchase Option written:				
At January 1, 2016	—	—	—	—
Issues	103,659	—	—	103,659
Changes in fair value	1,375	—	—	1,375
At December 31, 2016	105,034	—	—	105,034
Issues	—	136,053	—	136,053
Changes in fair value	(440)	(2,113)	—	(2,553)
At December 31, 2017	104,594	133,940	—	238,534
Issues	—	—	64,112	64,112
Changes in fair value	(3,313)	(3,078)	—	(6,391)
Exercised and converted into Preferred Shares	(81,470)	(111,850)	(64,112)	(257,432)
At March 31, 2018	19,811	19,012	—	38,823

The Company

	Series C Preferred Shares Initial Closing	Series C Preferred Shares 2nd Closing	Series D Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share Purchase Option:				
At January 1, 2016	—	—	—	—
Issues	73,986	—	—	73,986
Change in fair value	(1,799)	—	—	(1,799)
At December 31, 2016	72,187	—	—	72,187
Issues	—	81,421	—	81,421
Change in fair value	(6,499)	(8,529)	—	(15,028)
At December 31, 2017	65,688	72,892	—	138,580
Issues	—	—	52,054	52,054
Exercised and converted into Preferred Shares	(53,273)	(61,715)	(52,054)	(167,042)
Change in fair value	(7,513)	(9,861)	—	(17,374)
At March 31, 2018	4,902	1,316	—	6,218

The Company has used the back-solve method to determine the underlying share value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares and Share Purchase Option as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares and Share Purchase Option are as follows:

	At December 31		At March 31
	2016	2017	2018
Fair value of ordinary shares of the Company	US$1.78	US$2.44	US$3.66
Possibilities under liquidation scenario	80%	75%	70%
Possibilities under redemption scenario	5%	5%	5%
Possibilities under initial public offering scenario	15%	20%	25%
Risk-free interest rate	1.5%	1.9%	2.3%
Discount for lack of marketability	28.0%	24.8%	24.9%
Volatility	84.4%	84.8%	87.9%

26. SHARE CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on November 10, 2009. As of March 31, 2018, the authorized share capital of the Company was US$150,000 divided into 150,000,000 shares, consisting of 102,107,331 ordinary shares of a par value of US$0.001 each and 47,892,669 preferred shares of a par value of US$0.001 each, which were accounted as financial liability with details set out in note 25. The share capital represents the issued share capital of the Company.

The details of the changes of the Company's authorized and issued and fully paid ordinary shares during the Track Record Period are set out as below:

	Authorized Number of shares	US$
Ordinary shares of US$0.001 each		
At January 1, 2016	66,440,735	66,441
Decrease (note (a))	(4,769,782)	(4,770)
At December 31, 2016, January 1, 2017 and December 31, 2017	61,670,953	61,671
Increase (note (b))	45,501,211	45,501
Decrease (note (c))	(5,064,833)	(5,065)
At March 31, 2018	102,107,331	102,107

	Issued and fully paid Number of shares	US$	Shown in the consolidated statements of financial position as
			RMB'000
Ordinary shares of US$0.001 each			
At January 1, 2016; at December 31, 2016 and at December 31, 2017	7,426,154	7,426	48
Issue of shares by exercise share options (note (d))	25,000	25	—
At March 31, 2018	7,451,154	7,451	48

(a) On April 15, 2016, an aggregate of 4,769,782 ordinary shares of the Company were redesignated into to 4,769,780 Series C-1 Preferred Shares of par value of US$0.001 each, 1 Series C-2 Preferred Shares of par value of US$0.001 each and 1 Series C-3 Preferred Shares of par value of US$0.001 each.

(b) On January 22, 2018, the authorized share capital of the Company was increased to US$150,000, divided into 150,000,000 shares of par value of US$0.001 each by increasing an additional 50,000,000 Ordinary Shares and re-designating 4,498,789 ordinary shares of par value of US$0.001 each into 4,498,788 Series D-1 Preferred Shares of the Company of par value of US$0.01 each, and 1 Series D-2 Preferred Share of the Company of par value of US$0.001 each.

(c) On March 12, 2018, an aggregate of 5,064,833 ordinary shares of par value of US$0.001 each were redesignated into 5,064,833 Series E Preferred Shares of the Company of par value of US$0.001 each.

(d) On March 22, 2018, one employee exercised his right, evidenced by certain option agreements under the Company's pre-IPO share option scheme, to subscribe 25,000 ordinary shares of the Company at the exercise of US$3.5 per share for an aggregate consideration of US$87,500 (RMB equivalent 549,640).

(e) All the new shares rank pari passu with the existing shares in all respects.

27. RESERVES OF THE COMPANY

	Share premium	Share option reserve	Accumulated deficit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	—	7,923	(214,118)	(206,195)
Loss and total comprehensive expense for the year	—	—	(291,234)	(291,234)
Recognition of equity-settled payment for subsidiary	—	3,473	—	3,473
At December 31, 2016	—	11,396	(505,352)	(493,956)
Loss and total comprehensive expense for the year	—	—	(143,729)	(143,729)
Recognition of equity-settled payment for subsidiary	—	4,354	—	4,354
At December 31, 2017	—	15,750	(649,081)	(633,331)
Option exercised to purchase ordinary shares	549	—	—	549
Loss and total comprehensive expense for the period	—	—	(276,632)	(276,632)
Recognition of equity-settled payment for subsidiary	—	4,449	—	4,449
At March 31, 2018	549	20,199	(925,713)	(904,965)

28. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's pre-IPO share option scheme (the "Scheme") was adopted pursuant to a resolution passed on March 5, 2015 for the primary purpose of providing incentives to directors, eligible employees and individual consultants who render services to the Group. Under the Scheme, the directors of the Company may grant options to eligible employees, including the directors of the Company, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to individual consultants for settlement in respect of research and development ("R&D") advisory services provided to the Group. The fair value of the services from individual consultants is determined by the fair value of options on the services receipt date.

The directors of the Company approved up to 6,131,295 shares of the Company in which options may be granted under the Scheme.

(1) Details of specific categories of options are as follows:

Categories	Date of grant	Number of options granted	Exercise price per share
Directors:			
Dr. Li CHEN	December 4, 2014 ~ January 7, 2018	470,865	US$1.00 ~ 7.00
Dr. John J. BALDWIN	December 4, 2014 ~ November 1, 2016	60,000	US$1.00 ~ 3.50
Employees	March 25, 2013 ~ January 7, 2018	2,709,000	US$1.00 ~ 10.00
Individual consultants	September 12, 2013 ~ March 15, 2016	430,000	US$1.00 ~ 4.00

(2) Options granted under the Scheme shall have a contractual term of 10 years and generally vest over a four year period, with 25% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 75% vesting subsequently in 36 equal monthly instalments except for the options granted to non-employees individual consultants on September 12, 2013 and March 15, 2016. The options granted to individual consultants on 12 September 2013 have a contractual term of 10 years and generally vest over a three year period, with 33% of total options vesting on the anniversary date one year after the vesting commencement date and the remaining 67% vesting in 24 substantially equal monthly instalments. The options granted to individual consultants on March 15, 2016 have a contractual term of 10 years and vest in 12 equal monthly instalments.

Set out below are details of the movements of the outstanding options granted under the Scheme during the year ended December 31, 2016:

Category	Option type	Outstanding at January 1, 2016	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2016
Category 1: Directors						
Dr. Li CHEN	December 4, 2014	180,000	—	—	—	180,000
	January 11, 2016	—	50,000	—	—	50,000
	July 19, 2016	—	50,000	—	—	50,000
		180,000	100,000	—	—	280,000
Dr. John J. BALDWIN . .	December 4, 2014	10,000	—	—	—	10,000
	January 11, 2016	—	50,000	—	—	50,000
		10,000	50,000	—	—	60,000
	Total directors	190,000	150,000	—	—	340,000
Category 2: Employees						
	March 25, 2013	200,000	—	—	—	200,000
	September 12, 2013	150,000	—	—	—	150,000
	December 4, 2014	470,000	—	—	—	470,000
	January 11, 2016	—	660,000	—	—	660,000
	July 19, 2016	—	25,000	—	—	25,000
	Total employees	820,000	685,000	—	—	1,505,000
Category 3: Individual consultants						
	September 12, 2013	110,000	—	—	—	110,000
	December 4, 2014	50,000	—	—	—	50,000
	January 11, 2016	—	200,000	—	—	200,000
	March 15, 2016	—	70,000	—	—	70,000
	Total individual consultants	160,000	270,000	—	—	430,000
	Total all categories	1,170,000	1,105,000	—	—	2,275,000
	Exercisable at the end of the year	564,791				1,046,562
	Weighted average exercise price	1.00	3.70	NA	NA	2.31

Set out below are details of the movements of the outstanding options granted under the Scheme during the year ended December 31, 2017:

Category	Option type	Outstanding at January 1, 2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2017
Category 1: Director						
Dr. Li CHEN	December 4, 2014	180,000	—	—	—	180,000
	January 11, 2016	50,000	—	—	—	50,000
	July 19, 2016	50,000	—	—	—	50,000
	March 6, 2017	—	100,000	—	—	100,000
		280,000	100,000	—	—	380,000
Dr. John J. BALDWIN . .	December 4, 2014	10,000	—	—	—	10,000
	January 11, 2016	50,000	—	—	—	50,000
		60,000	—	—	—	60,000
	Total directors	340,000	100,000	—	—	440,000
Category 2: Employees						
	March 25, 2013	200,000	—	—	—	200,000
	September 12, 2013	150,000	—	—	—	150,000
	December 4, 2014	470,000	—	—	—	470,000
	January 11, 2016	660,000	—	—	(47,000)	613,000
	July 19, 2016	25,000	—	—	—	25,000
	March 6, 2017	—	410,000	—	—	410,000
	July 24, 2017	—	150,000	—	—	150,000
	Total employees	1,505,000	560,000	—	(47,000)	2,018,000
Category 3: Individual consultants						
	September 12, 2013	110,000	—	—	—	110,000
	December 4, 2014	50,000	—	—	—	50,000
	January 11, 2016	200,000	—	—	—	200,000
	March 15, 2016	70,000	—	—	—	70,000
	Total individual consultants	430,000	—	—	—	430,000
	Total all categories	2,275,000	660,000	—	(47,000)	2,888,000
	Exercisable at the end of the year	1,046,562				1,706,583
	Weighted average exercise price	2.31	7.68	NA	3.50	3.52

Set out below are details of the movements of the outstanding options granted under the Scheme during the three months ended March 31, 2017:

Category	Option type	Outstanding at January 1, 2017	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at March 31, 2017
			(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Category 1: Director						
Dr. Li CHEN	December 4, 2014	180,000	—	—	—	180,000
	January 11, 2016	50,000	—	—	—	50,000
	July 19, 2016	50,000	—	—	—	50,000
	March 6, 2017	—	100,000	—	—	100,000
		280,000	100,000	—	—	380,000
Dr. John J. BALDWIN . .	December 4, 2014	10,000	—	—	—	10,000
	January 11, 2016	50,000	—	—	—	50,000
		60,000	—	—	—	60,000
	Total directors	340,000	100,000	—	—	440,000
Category 2: Employees						
	March 25, 2013	200,000	—	—	—	200,000
	September 12, 2013	150,000	—	—	—	150,000
	December 4, 2014	470,000	—	—	—	470,000
	January 11, 2016	660,000	—	—	(25,000)	635,000
	July 19, 2016	25,000	—	—	—	25,000
	March 6, 2017	—	410,000	—	—	410,000
	Total employees	1,505,000	410,000	—	(25,000)	1,890,000
Category 3: Individual consultants						
	September 12, 2013	110,000	—	—	—	110,000
	December 4, 2014	50,000	—	—	—	50,000
	January 11, 2016	200,000	—	—	—	200,000
	March 15, 2016	70,000	—	—	—	70,000
	Total individual consultants	430,000	—	—	—	430,000
	Total all categories	2,275,000	510,000	—	(25,000)	2,760,000
	Exercisable at the end of the period	1,046,562				1,569,479
	Weighted average exercise price	2.31	7.00	NA	3.50	3.17

Set out below are details of the movements of the outstanding options granted under the Scheme during the three months ended March 31, 2018:

Category	Option type	Outstanding at January 1, 2018	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at March 31, 2018
Category 1: Director						
Dr. Li CHEN	December 4, 2014	180,000	—	—	—	180,000
	January 11, 2016	50,000	—	—	—	50,000
	July 19, 2016	50,000	—	—	—	50,000
	March 6, 2017	100,000	—	—	—	100,000
	January 7, 2018	—	90,865	—	—	90,865
		380,000	90,865	—	—	470,865
Dr. John J. BALDWIN . .	December 4, 2014	10,000	—	—	—	10,000
	January 11, 2016	50,000	—	—	—	50,000
		60,000	—	—	—	60,000
	Total directors	440,000	90,865	—	—	530,865
Category 2: Employees						
	March 25, 2013	200,000	—	—	—	200,000
	September 12, 2013	150,000	—	—	—	150,000
	December 4, 2014	470,000	—	—	—	470,000
	January 11, 2016	613,000	—	(25,000)	—	588,000
	July 19, 2016	25,000	—	—	—	25,000
	March 6, 2017	410,000	—	—	—	410,000
	July 24, 2017	150,000	—	—	—	150,000
	January 7, 2018	—	644,000	—	—	644,000
	Total employees	2,018,000	644,000	(25,000)	—	2,637,000
Category 3: consultants						
	September 12, 2013	110,000	—	—	—	110,000
	December 4, 2014	50,000	—	—	—	50,000
	January 11, 2016	200,000	—	—	—	200,000
	March 15, 2016	70,000	—	—	—	70,000
	Total individual consultants	430,000	—	—	—	430,000
	Total all categories	2,888,000	734,865	(25,000)	—	3,597,865
	Exercisable at the end of the period	1,706,583				2,209,000
	Weighted average exercise price	3.52	1.08	3.50	NA	3.05

The fair value of the options granted was determined using the Black-Scholes pricing model. These fair values and corresponding inputs into the model were as follows:

	March 25, 2013	September 12, 2013	December 4, 2014	January 11, 2016	July 19, 2016	March 6, 2017	July 24, 2017	January 7, 2018
Grant date option fair value per share	US$0.10	US$0.16	US$0.45	US$0.55	US$0.72	US$1.19	US$1.14~ US$1.92	US$2.03
Grant date share price	US$0.21	US$0.31	US$0.72	US$0.87	US$1.56	US$2.24	US$2.32	US$2.72
Exercise price	US$1.00	US$1.00	US$1.00	US$3.50	US$6.00	US$7.00	US$1.00~ US$10.00	US$1.00
Expected volatility	92.30%	91.60%	78.10%	76.10%	80.20%	84.40%	85.55%	84.45%
Expected life	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Risk-free rate	0.97%	1.50%	1.81%	1.94%	1.42%	2.04%	1.99%	2.26%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognized the total expense of RMB2,851,000, RMB4,031,000, RMB1,243,000 (unaudited) and RMB4,404,000 for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively, in relation to share options granted by the Company.

Restricted shares of the Company

In April 2010, Dr. Li CHEN entered into a restricted ordinary share purchase agreement with the Company (the "Dr. CHEN's Restricted Ordinary Share Purchase Agreement"), pursuant to which, the Company agreed to issue 2,100,769 ordinary shares of the Company at the price of US$0.001 per share to Dr. Li CHEN, representing 6% of the Company's fully diluted share capital immediately after the Series A Preferred Share financing ("Dr. CHEN's Restricted Shares"). In addition, Dr. Li CHEN granted the Company the right to repurchase, at the discretion of the Company, any portion of the ordinary shares in which Dr. Li CHEN failed to acquire a vested interest in accordance with the vesting conditions as follows:

(1) 2/3 of the Dr. CHEN's Restricted Shares shall be vested in a series of 48 successive equal monthly instalments measured from the closing of Series A Preferred Shares financing;

(2) Each 1/3 of the 1/3 of the Dr. CHEN's Restricted Shares ("Dr. CHEN's Milestone Shares") shall be vested upon the occurrence of any of the 3 milestone events described in the Dr. CHEN's Restricted Ordinary Share Purchase Agreement if Dr. Li CHEN remains in continuous services on these dates;

(3) All unvested Dr. CHEN's Milestone Shares shall vest upon the seventh anniversary of Dr. Li CHEN's hire date if Dr. Li CHEN remains in continuous service on such anniversary date.

In August 2011, the Company agreed to issue and sell another 500,000 ordinary shares of the Company to Dr. Li CHEN at par value US$0.001 per share without any vesting conditions.

In April 2014, John CHOI, a director of the Company, entered into a restricted ordinary share purchase agreement with the Company (the "John CHOI's Restricted Ordinary Share Purchase Agreement"). Pursuant to which, the Company agreed to issue and sell 1,050,385 ordinary shares of the Company at the price of US$0.001 per share to the John CHOI, representing 3% of the Company's fully diluted share capital immediately after the Series A Preferred Share Financing ("John CHOI's Restricted Shares"). In addition, John CHOI granted the Company the right to repurchase, at the discretion of the Company, any portion of the ordinary shares in which John CHOI failed to acquire a vested interest in accordance with the vesting conditions as follows:

(1) 1/2 of the John CHOI's Restricted Shares ("John CHOI's Instalment Shares") shall be vested in a series of 48 successive equal monthly instalments measured from the hire date of John CHOI;

(2) Each 1/3 of the 1/2 of the John CHOI's Restricted Shares ("John CHOI's Milestone Shares") shall be vested upon the occurrence of any of the 3 milestone events described in the John CHOI's Restricted Ordinary Share Purchase Agreement if John CHOI remains in continuous services on the date;

(3) All unvested John CHOI's Milestone Shares shall vest upon the seventh anniversary of John CHOI's hire date if John CHOI remains in continuous service on such anniversary date.

The board of directors approved the grant of restricted shares to Dr. Li CHEN and John CHOI in May 2014, which was deemed as the grant date of the restricted ordinary shares.

John CHOI was a director of the Company from May 2014 to January 2015 and the Chief Strategy and Business Officer of the Group from November 2010 to December 2017, responsible for evaluating in-licensing opportunities as well as fund raising activities for the Company. John CHOI resigned from his position as Chief Strategy and Business Officer in December 2017 to pursue alternative opportunities in the biopharmaceutical sector in the United States, and has since ceased to be a key management personnel of the Group.

The fair value of the restricted shares of the Company was US$0.36 per share which was determined by the fair value of ordinary shares on the grant date. The number of unvested restricted shares was 904,498, 145,887 and 58,355 as at December 31, 2016, December 31, 2017 and March 31, 2018 respectively.

The Group recognized RMB622,000, RMB323,000, RMB105,000 (unaudited) and RMB45,000 of share-based payment in relation to the grants of the above restricted ordinary shares for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively.

29. OPERATING LEASES

The Group leases various office premises under non-cancellable operating lease agreements. The lease terms are from 1 to 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,508	2,657	2,517
In the second to the third year inclusive	2,035	2,124	889
	3,543	4,781	3,406

30. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Purchase of research and development services from related parties:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
WuXi AppTec (Shanghai) Co., Ltd.	10,796	5,180	70	1,788
Shanghai SynTheAll Pharmaceutical Co., Ltd.	7,047	4,893	—	—
Shanghai STA Pharmaceutical R&D Co., Ltd.	1,454	8,222	—	—
Shanghai MedKey Med-Tech Development Co., Ltd.	1,848	5,948	—	3,802
WuXi AppTec (Suzhou) Co., Ltd.	3,209	—	—	8
WuXi Clinical Development Services (Shanghai) Co., Ltd.	—	3,763	—	2,800
XenoBiotic Laboratories, Inc.	716	1,951	425	—
WuXi AppTec (Tianjin) Co., Ltd.	280	—	—	—
HD Biosciences Co., Ltd.	—	38	24	—

All of the above related parties are subsidiaries of WuXi AppTec Co., Ltd. ("WXAT"). Wuxi Pharmatech Healthcare Fund I L.P., an investor of the Company, is a subsidiary of WXAT. In addition, WXAT is indirectly owned as to more than 30% by Dr. Ge LI and his concert parties. Dr. Ge LI served as a director of the Company from August 2010 to December 2017 and is also an investor of the Company.

(b) **Related party balances**

Details of the outstanding balances with related parties are set out in notes 19 and 23 respectively.

(c) **Compensation of key management personnel**

The remuneration of the directors of the Company and other members of key management of the Group during the year ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018 were as follows:

	Year ended December 31		Three months ended March 31	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Short term benefits	5,428	5,410	1,382	3,604
Post-employment benefits	42	46	11	12
	5,470	5,456	1,393	3,616

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes convertible redeemable preferred shares (net of bank balances and cash), and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at FVTPL	30,000	16,101	16,239
Amortized cost (including cash and cash equivalents)	192,901	172,733	836,064
Financial liabilities			
Amortized cost	10,667	27,697	42,998
Designated as financial liabilities at FVTPL	855,488	1,138,789	2,130,774

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Amortized cost (including cash and cash equivalents)	74,144	66,331	667,767
Financial liabilities			
Amortized cost	14	18,994	17,231
Designated as financial liabilities at FVTPL	822,641	1,038,835	2,098,169

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include other financial assets, bank balances and cash, trade and other payables, amounts due to related parties and financial liabilities at FVPTL. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks.

(i) *Currency risk*

Certain bank balances and cash, trade and other payables, amounts due to related parties, and convertible redeemable preferred shares are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Assets			
US$	139,898	141,939	771,243
TWD	3	3	3
HK$	5	2	8,547
Liabilities			
US$	(855,502)	(1,158,818)	(2,160,000)

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Assets			
US$	74,204	66,386	661,168
HK$	5	2	8,547
Liabilities			
US$	(750,468)	(920,284)	(2,108,600)

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group and the Company may have a material exposure. No sensitivity analysis has been disclosed for the TWD denominated assets as the impact on profit or loss is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on loss for the year/period.

The Group

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit or loss			
US$	35,780	50,844	69,438
HK$	—	—	(427)

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit or loss			
US$	33,813	42,695	72,372
HK$	—	—	(427)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the year/period.

(ii) *Interest rate risk*

The Group and the Company are primarily exposed to fair value interest rate risk in relation to fixed-rate short-term bank deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) *Other price risk*

The Group and the Company are also exposed to other price risk through Preferred Shares, Gross obligation from Share Purchase Option written and the Share Purchase Option classified as financial liabilities at FVTPL.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

If the equity value of the ordinary shares of the Company had been changed based on the 5% higher/lower:

- post tax loss of the Group for the year ended December 31, 2016 would increase by RMB39,438,000 and decrease by RMB44,868,000, as a result of the changes in fair value of ordinary shares of the Company;

- post tax loss of the Group for the year ended December 31, 2017 would increase by RMB58,087,000 and decrease by RMB61,297,000, as a result of the changes in fair value of ordinary shares of the Company; and

- post tax loss of the Group for the three months ended March 31, 2018 would increase by RMB103,939,000 and decrease by RMB105,970,000, as a result of the changes in fair value of ordinary shares of the Company.

Credit risk

The Group and the Company have concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year and on demand	Over 3 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group					
At December 31, 2016					
Trade and other payables	N/A	977	—	977	977
Amounts due to related parties	N/A	9,690	—	9,690	9,690
Financial liabilities at FVTPL	4%	—	581,055	581,055	855,488
At December 31, 2017					
Trade and other payables	N/A	4,377	—	4,377	4,377
Amounts due to related parties	N/A	23,320	—	23,320	23,320
Financial liabilities at FVTPL	4%	—	739,124	739,124	1,138,789
At March 31, 2018					
Trade and other payables	N/A	27,447	—	27,447	27,447
Amounts due to related parties	N/A	15,551	—	15,551	15,551
Financial liabilities at FVTPL	4%	—	1,561,206	1,561,206	2,130,774
The Company					
At December 31, 2016					
Trade and other payables	N/A	14	—	14	14
Financial liabilities at FVTPL	4%	—	581,055	581,055	822,641
At December 31, 2017					
Amounts due to related parties	N/A	18,994	—	18,994	18,994
Financial liabilities at FVTPL	4%	—	739,124	739,124	1,038,835
At March 31, 2018					
Trade and other payables	N/A	17,231	—	17,231	17,231
Financial liabilities at FVTPL	4%	—	1,561,206	1,561,206	2,098,169

(c) **Fair value measurements of financial instruments**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) ***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***

The Group's other financial assets including financial products (details refer to note 20) which are measured at fair value at December 31, 2016 and 2017 and March 31, 2018 are grouped under Level 2 hierarchy. Fair value of these Financial Products was determined by discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments.

In addition, the Group's financial liabilities at FVTPL are measured at fair value at December 31, 2016 and 2017 and March 31, 2018 and are grouped under Level 3 hierarchy. The fair values estimated based on back-solve method, detail valuation parameters and major assumptions used in the valuation are disclosed in note 25. Fair value of Preferred Shares is most significantly affected by volatility and probability of IPO. A decrease in volatility and probability of IPO would cause decrease in the fair value of Preferred Shares.

There were no transfers between level 1 and level 2 during the year/period.

(ii) ***Reconciliation of Level 3 fair value measurements***

Details of reconciliation of Level 3 fair value measurement for convertible redeemable preferred shares and written put options over subsidiary are set out in note 25.

Fair value gains or losses on financial liabilities at FVTPL are included in 'Loss on changes in fair value of financial liabilities at FVTPL'.

(iii) ***Fair value of financial assets and financial liabilities that are not measured at fair value***

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

33. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB1,618,000, RMB3,070,000, RMB511,000 (unaudited) and RMB1,225,000 for the year ended December 31, 2016 and 2017 and three months ended March 31, 2017 and 2018 respectively.

34. INVESTMENT IN A SUBSIDIARY/PARTICULARS OF SUBSIDIARIES

The Company

	At December 31		At March 31
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Investment in Hua HK (note a)	—	—	—
Deemed investment in Hua HK (note b)	178,236	198,550	236,702
Written put options over Hua Shanghai (note c)	73,986	155,407	286,066
Share options granted to managements and employees in subsidiary (note d)	2,308	5,227	7,558
	254,530	359,184	530,326

Note a: The investment in Hua HK represents the cost of investment amounting to US$1.00 in Hua HK, a wholly owned subsidiary of the Company incorporated in Hong Kong.

Note b: The amounts represent amount due from Hua HK that deemed as capital contribution to Hua HK by the Company, since the Company will not demand repayment of these amounts due from Hua HK.

Note c: The Company wrote the Series C PRC investors and Series D PRC investors put options to convert their equity interests in Hua Shanghai to the Company's Series C and Series D Preferred Shares respectively. The Company recognized such written put options over Hua Shanghai as financial liabilities at FVPTL as set out in note 25. The debit in asset on initial recognition of the written put options is presented as part of investment in Hua Shanghai in the Company's separate financial statements.

Note d: Certain managements and employees who work at Hua Shanghai are granted share options under the Scheme of the Company. The Company therefore recorded the grant as deemed contribution to the subsidiary in the Company's separate financial statements.

As at December 31, 2016 and 2017, March 31, 2018 and the date of this report, the Group's subsidiaries are as follows:

Name of company	Place of incorporation/ establishment	Registered capital	Attributable equity interest held by the Company				Principal activities
			As at December 31,		At March 31	As at the date of this	
			2016	2017	2018	report	
		US$					
Directly held							
Hua Medicine Technology (Hong Kong) Limited 華領醫藥技術(香港)有限公司 (formerly known as Hua Medicine Limited)	Hong Kong August 12, 2010	1.00	100%	100%	100%	100%	Investment holding company
Indirectly held							
Hua Medicine (Shanghai) Co., Ltd. 華領醫藥技術(上海)有限公司	The People's Republic of China June 22, 2011	22,669,912	96.624% *(Note)*	92.570% *(Note)*	98.58% *(Note)*	100%	Development and commercialization of innovative medicines

All of the subsidiaries adopted December 31 as financial year end.

The statutory financial statements of Hua Medicine Limited for the years ended December 31, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting standards and were audited by us.

The statutory financial statements of Hua Medicine (Shanghai) Co., Ltd. for each of the two years ended December 31, 2016 and 2017 were prepared in accordance with People's Republic of China Generally Accepted Accounting Principles and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

Note:

To accommodate the needs of certain PRC Investors in the Company's Series C Preferred Share financing, Hua Shanghai issued 711,111 ordinary shares to the PRC investors for cash consideration of US$16,000,000 (RMB equivalent 103,659,200) in April 2016 as the initial closing of Series C Preferred Share financing and 933,334 ordinary shares for cash consideration of US$21,000,000 (RMB equivalent 136,052,700) in March 2017 as the second closing. Upon the completion of the investments, the Company's interests in Hua Shanghai was diluted from 100% to 96.62% and 92.57% as at December 31, 2016 and 2017, respectively.

In association with the Company's Series D Preferred Share financing, Hua Shanghai issued 402,424 shares to PRC investors for cash consideration of US$10,000,000 (RMB equivalent 64,112,002) in January 2018. Upon the completion of the investment, the Company's indirect interests in Hua Shanghai was diluted from 92.57% to 91.885%.

In January 2018, those PRC investors who participated in purchasing Series C-2 Preferred Shares and Series D-2 Preferred Shares exercised the Share Purchase Option to convert their equity interests in Hua Shanghai into Series C-1 Preferred Shares and Series D-1 Preferred Shares, respectively. As a result, those PRC investors disposed all their equity interests in Hua Shanghai to Hua HK. Upon the completion of the equity transfer, the Company's indirect interests in Hua Shanghai increased from 91.885% to 98.767%.

In April 2018, these PRC investors who participated in purchasing Series C-3 Preferred Shares exercised the Share Purchase Option to convert their equity interests in Hua Shanghai into Series C-1 Preferred Shares. As a result, the PRC investors disposed all their equity interests in Hua Shanghai to Hua HK. Upon the completion of the equity transfer, the Company's indirect interests in Hua Shanghai increased from 98.767% to 100%.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL	Advance from investors for the issue of Preferred Shares	Amounts payable to investors for equity transfer	Payable for issue costs, listing and finance expenses	Total
	RMB'000 (note 25)	*RMB'000 (note 23)*	*RMB'000 (note 23)*	*RMB'000 (note 22)*	*RMB'000*
At January 1, 2016	425,250	—	—	—	425,250
Financing cash flows (note i)	155,821	—	—	(4,562)	151,259
Non-cash charges					
Transaction costs for the issue of Preferred Shares (note 8)	—	—	—	4,562	4,562
Loss on changes in fair value of financial liabilities at FVTPL	274,417	—	—	—	274,417
At December 31, 2016	855,488	—	—	—	855,488
Financing cash flows (note i)	156,845	19,017	—	(2,958)	172,904
Non-cash charges					
Transaction costs for the issue of Preferred Shares (note 8)	—	—	—	2,958	2,958
Loss on changes in fair value of financial liabilities at FVTPL	126,456	—	—	—	126,456
Net foreign exchange loss	—	(23)	—	—	(23)
At December 31, 2017	1,138,789	18,994	—	—	1,157,783
At January 1, 2017	855,488	—	—	—	855,488
Financing cash flows (note i) (unaudited)	117,973	—	—	—	117,973
Loss on changes in fair value of financial liabilities at FVTPL (unaudited)	138,704	—	—	—	138,704
At March 31, 2017 (unaudited)	1,112,165	—	—	—	1,112,165
At January 1, 2018	1,138,789	18,994	—	—	1,157,783
Financing cash flows (note i)	738,021	—	—	(100)	737,921
Operating cash flows (note ii)	—	—	—	(457)	(457)
Non-cash charges					
Transfer of advance from investors upon issuance of Preferred Shares	19,017	(19,017)	—	—	—
Effect of investors' exercise of conversion options	(12,577)	—	12,577	—	—
Transaction costs for the issue of Preferred Shares (note 8)	—	—	—	4,500	4,500
Listing expenses	—	—	—	10,515	10,515
Deferred issue costs (note 18)	—	—	—	2,283	2,283
Loss on changes in fair value of financial liabilities at FVTPL	247,524	—	—	—	247,524
Net foreign exchange loss	—	23	—	(113)	(90)
At March 31, 2018	2,130,774	—	12,577	16,628	2,159,979

Note i: The financing cash flows represent (i) net proceeds from the issue of the Company's Preferred Shares for each of the years ended December 31, 2016 and 2017 and three months ended March 31, 2018, (ii) advance received from investors for the issue of Preferred Shares for the year ended December 31, 2017 and (iii) payment of listing expenses that are attributable to proposed issue of new shares.

Note ii: The operating cash flows represent the payment of listing expenses that are related to listing of existing shares.

36. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, the Group has following events occurred subsequent to March 31, 2018:

In April 2018, the PRC investors who participated in purchasing Series C-3 Preferred Shares exercised the Share Purchase Option to convert their equity interests in Hua Shanghai into Series C-1 Preferred Shares. As a result, the PRC investors disposed all their equity interests in Hua Shanghai to Hua HK. Upon the completion of the equity transfer, the Company's indirect interests in Hua Shanghai increased from 98.767% to 100%.

From April to June 2018, the Group granted 3,431,027 (51,465,405 as adjusted after Capitalization Issue (as defined below)) share options to certain directors, employees and individual consultants. These options granted have a contractual term of 10 years and generally vest over a four year period, with 25% of the awards vesting on the anniversary date one year after the grant date and the remaining 75% vesting subsequently in 36 equal monthly instalments. The Group also granted 494,865 (7,422,975 as adjusted after Capitalization Issue restricted shares to certain management of the Group with a four year vesting period, the commencement of which is dependent upon the timing of successful Qualified IPO.

On August 26, 2018, a shareholder's resolution was passed under which a total of 774,813,480 shares will be allotted and issued to the shareholders on the register of members of the Company on the day preceding the Global Offering (as defined in the Prospectus) in proportion to their then existing shareholdings in the Company by capitalizing the sum of US$774,813 from the share premium account of the Company (the "Capitalization Issue"). The shares shall rank pari passu in all respects with the then existing issued shares of the Company.

In August 2018, 105,000 options (1,575,000 as adjusted after the Capitalization Issue) previously granted under the Scheme to consultants who render services in connection with the Company's clinical trials were cancelled by the Company. As such, in August 2018, the Company recognized immediately share-based compensation expenses totaled RMB1,662,000 that would otherwise have been recognized over the remainder of the applicable vesting periods.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to March 31, 2018 and up to the date of this report.

*The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the consolidated financial statements set out in Appendix I to this prospectus.*

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES OF THE GROUP ATTIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible liabilities prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018 following the Global Offering or as at any subsequent dates. It is prepared based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018 as derived from the Accountants' Report set out in Appendix I of this prospectus and adjusted as described below.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018**	**Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company per Share as at March 31, 2018**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3)*	*HK$ (Note 4)*
Based on an Offer Price of HK$8.28 per Offer Share	(1,262,762)	692,166	(570,596)	(2.64)	(3.02)
Based on an Offer Price of HK$9.28 per Offer Share	(1,262,762)	779,195	(483,567)	(2.23)	(2.56)

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018 is extracted from the consolidated statement of financial position set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 104,756,000 Offer Shares at the indicative Offer Price of HK$8.28 (equivalent to RMB7.23) and HK$9.28 (equivalent to RMB8.10) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding approximately RMB10.5 million listing expenses which has been charged to profit or loss up to March 31, 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Post-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) which were issued to Nominee (as defined in the Prospectus) to hold the employee trust non-exercised share options and awards granted under the Pre-IPO Share Incentive Scheme. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.87273, which was the exchange rate prevailing on August 27, 2018. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group per Share is arrived at on the basis that 216,523,310 Shares were in issue including 111,767,310 existing ordinary Shares (7,451,154 before Capitalization Issue) and 104,756,000 Offer Shares assuming that the Global Offering and Capitalization Issue had been completed on March 31, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Post-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) the conversion of the Preferred Shares or (v) which were issued to Nominee (as defined in the Prospectus) to hold in the employee trust non-exercised share options and awards granted under Pre-IPO Share Incentive Scheme.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible liabilities of the Group per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.87273, which was the exchange rate prevailing on August 27, 2018. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible liabilities of the Group as at March 31, 2018 to reflect any trading result or other transaction of the Group entered into subsequent to March 31, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of the Group attributable to owners of the Company as shown on II-1 have not been adjusted to illustrate the effect of the exercise of Share Purchase Option (as defined in Appendix I) by PRC investors of Series C-3 Preferred Shares and the conversion of Preferred Shares into ordinary shares. The exercise of Share Purchase Option by PRC investors in April 2018 would have resulted in the RMB38,823,000 gross obligation from Share Purchase Option Written at March 31, 2018 to be reclassified as Preferred Shares, and would have increased the RMB2,091,951,000 carrying amount of Preferred Shares at March 31, 2018 to RMB2,130,774,000. The exercise of Share Purchase Option would have also caused the RMB2,908,000 non-controlling interests to be reclassified to equity attributable to owners of the Company. Additionally, the conversion of Preferred Shares upon completion of IPO would then have reclassified the RMB2,130,774,000 Preferred Shares to equity. The combined effect of the exercise of Share Purchase Option and conversion of Preferred Shares would have reduced/increased the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of the Group attributable to owners of the Company as at March 31, 2018 by RMB2,133,682,000. The conversion of Preferred Shares would have also increased the total share in issue assumption stated in note 3 by 718,389,990 Shares

to a total of 934,913,300 Shares in issue. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of the Group after conversion of Preferred Shares would be as follows:

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 after conversion of the Preferred Shares	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 per Share after conversion of the Preferred Shares**	
	RMB'000	*RMB*	*HK$ (Note 4)*
Based on an Offer Price of HK$8.28 per Offer Share	1,563,086	1.67	1.92
Based on an Offer Price of HK$9.28 per Offer Share	1,650,115	1.76	2.02

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PROFORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report receiving from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Hua Medicine

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hua Medicine (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible liabilities as at March 31, 2018 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated August 31, 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at March 31, 2018 as if the proposed Global Offering had taken place at March 31, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended December 31, 2017 and three months ended March 31, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at March 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, August 31, 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and certain aspects of Cayman company law.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on August 26, 2018 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V of this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on August 26, 2018 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$200,000,000.00 divided into 200,000,000,000 Shares of US$0.001 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over, or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for

such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates, which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership

of or in which any Director shall be a member or otherwise interested, be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company, or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may, by ordinary, resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without

prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may, by ordinary resolution, appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors, nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a similar number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 ***Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 ***Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal or par value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal or par value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 ***Alteration of capital***

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may, by special resolution, reduce its share capital or any capital redemption reserve in any manner authorised, and subject to any conditions prescribed by the Companies Law.

2.6 ***Special resolution — majority required***

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 ***Voting rights***

Subject to any special rights, privileges, or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered in the register of members of the Company and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting, a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company, it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 ***Annual general meetings and extraordinary general meetings***

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings shall also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the

general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 ***Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs, and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places, and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company), and no such member shall have any right to inspect any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation, or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting, a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 ***Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing, and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, and agenda of the meeting, particulars of the resolutions,

and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal or par value of the shares giving that right.

2.11 ***Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share, they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 ***Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions, and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 ***Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 ***Dividends and other methods of distribution***

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency, but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in

respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve, in respect of any one particular dividend of the Company, that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid, without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding, or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk, and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left

uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures, or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down, or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets, and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him, and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation either, under its seal or under the hand of an officer, attorney, or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the

meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 ***Calls on shares and forfeiture of shares***

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times, and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installment(s) and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installment(s) due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment(s) of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid, serve a notice on the holder of such shares requiring payment of so much of the call or installment(s) as is unpaid, together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment(s) is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment(s) and

interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 ***Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being, and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge, and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative, being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 ***Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 ***Procedure on liquidation***

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid, and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares, or other securities in respect of which there is a liability.

2.21 ***Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company, or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication

of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 November 2009, under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares, or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 **Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 **Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto (which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 **Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court of the Cayman Islands shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands, or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 **Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 **Accounting and Auditing Requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 **Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 **Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 **Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company, provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies, and the vesting of their undertaking, property, and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company, and the vesting of the undertaking, property, and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company, and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company, and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose, and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion, as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 **Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors, and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 **Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies, except for those which hold interests in land in the Cayman Islands.

19 **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains, or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains, or appreciations, or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures, or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 24 November 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains, or appreciations, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands, save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 **Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 **General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed " Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V of this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands on November 10, 2009, under the Companies Law as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix III to this prospectus.

Our principal place of business in Hong Kong is at Suite 2202, Methodist House, 36 Hennessy Road, Wan Chai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 16, 2018. Mr. George Chien Cheng LIN has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As at the date of our incorporation, our authorized share capital was US$50,000, divided into 5,000,000 shares of par value of US$0.01 each. On April 23, 2010, our authorized share capital was subdivided into 50,000,000 ordinary shares of par value of US$0.001 each.

As of April 11, 2016, the authorized share capital of our Company was US$100,000 divided into 100,000,000 shares of par value of US$0.001 each, comprising of (i) 61,670,953 ordinary shares, (ii) 5,499,999 Series A-1 Preferred Shares, (iii) 20,916,409 Series A-2 Preferred Shares, (iv) 7,142,857 Series B Preferred Shares, (v) 4,769,780 Series C-1 Preferred Shares, (vi) one Series C-2 Preferred Share, and (vi) one Series C-3 Preferred Share.

The following alterations in the share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

(a) On March 9, 2017, our Company allotted and issued 298,111 Series C-1 Preferred Shares.

(b) On January 22, 2018, the authorized share capital of our Company was changed to US$150,000 divided into 150,000,000 shares of par value of US$0.001 each, comprising of (i) 107,172,164 Shares (ii) 5,499,999 Series A-1 Preferred Shares, (iii) 20,916,409 Series A-2 Preferred Shares, (iv) 7,142,857 Series B Preferred Shares (v) 4,769,780 Series C-1 Preferred Shares, (vi) one Series C-2 Preferred Share, (vii) one Series C-3 Preferred Share, (viii) 4,498,788 Series D-1 Preferred Shares and (ix) one Series D-2 Preferred Share. On January 23, 2018, our Company allotted and issued 1,746,328 Series D-1 Preferred Shares.

(c) On January 23, 2018, our Company allotted and issued 2,981,114 Series C-1 Preferred Shares and 899,758 Series D-1 Preferred Shares.

(d) On March 12, 2018, the authorized share capital of our Company was changed to US$150,000 divided into 150,000,000 shares, comprising of (i) 102,107,331 Shares (ii) 5,499,999 Series A-1 Preferred Shares, (iii) 20,916,409 Series A-2 Preferred Shares, (iv) 7,142,857 Series B Preferred Shares (v) 4,769,780 Series C-1 Preferred Shares, (vi) one Series C-2 Preferred Share, (vii) one Series C-3 Preferred Share, (viii) 4,498,788 Series D-1 Preferred Shares, (ix) one Series D-2 Preferred Share and (x) 5,064,833 Series E Preferred Share. On March 14, 2018 our Company allotted and issued 3,937,124 Series E Preferred Shares.

(e) On March 14, 2018, our Company allotted and issued 1,852,702 Series D-1 Preferred Shares.

(f) On March 26, 2018, our Company allotted and issued 1,127,709 Series E Preferred Shares. On April 18, 2018, our Company allotted and issued 695,592 Series C-1 Preferred Shares.

(g) On August 27, 2018, the Company allotted and issued 7,800,000 Shares to HLYY Limited.

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. **Changes in the Share Capital of our Subsidiaries**

Our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Hua Shanghai

On April 25, 2017, the registered capital of Hua Shanghai was increased from US$21,066,667 to US$22,133,334.

On January 30, 2018, the registered capital of Hua Shanghai was increased from US$22,133,334 to US$25,218,839.

4. **Resolutions of the Shareholders of the Company Passed on August 26, 2018**

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on August 26, 2018, it was resolved, among others:

(a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon Listing;

(b) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms therein or otherwise:

(i) the Global Offering was approved and our Directors were authorized to effect the same, and to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the grant of the Over-allotment Option by the Company to the International Underwriters to allot and issue up to 15% of the Offer Shares initially available under the Global Offering to cover, among other things, the over-allocations in the International Offering was approved; and

(iii) the proposed Listing was approved, and our Directors were authorized to implement such Listing;

(c) (1) all the issued and unissued Preferred Shares be re-designated and re-classified as ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles, (2) the authorised share capital of our Company be increased from US$150,000 divided into 150,000,000 shares to US$2,000,000 divided into 2,000,000,000 shares by the creation of an additional of 1,850,000,000 shares of par value of US$0.001 each; and (3) upon the re-designation and re-classification of the share capital of the Company referred to in paragraph (1) above and subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors be authorized to allot and issue a total of 884,013,480 Shares credited as fully paid at par value to the Shareholders on the register of members of the Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as it/they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of US$884,013.48 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (the "Capitalization Issue"), in each case to be effective on the Listing Date;

(d) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders or upon the exercise of the Over-allotment Option or the Shares that may be alloted and issued under the Post-IPO Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

(e) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the Shares that may be allotted and issued under the Post-IPO Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

(f) the general unconditional mandate as mentioned in paragraph (c) above would be 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 repurchase Shares referred to in paragraph (d) above

(up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or the Shares that may be allotted and issued under the Post-IPO Share Option Scheme).

5. **Repurchase of our Shares**

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. 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 from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not make a new issue or announce a proposed new issue of shares for a period of 30 days after any repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances.

(iv) *Status of Repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Reporting Requirements*

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day on which the listed company makes a purchase of its shares. The report must state the total number of shares purchased by the listed company the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(vi) *Core Connected Persons*

A listed company is prohibited from knowingly repurchasing its shares 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 its shares to the company.

(b) ***Reasons for Repurchase***

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) ***Funding of Repurchases***

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Law or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) ***General***

Exercise in full of the current repurchase mandate, on the basis of 1,051,913,300 Shares in issue after completion of the Global Offering (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Shares that may be allotted and issued under the Post-IPO Share Option Scheme), could accordingly result in up to 105,191,330 Shares being repurchased by us during the period prior to:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Law or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, 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 could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

6. Our Corporate Reorganization

The companies comprising the Group underwent corporate restructuring in preparation for the Listing. Please see the section headed "History, Development and Corporate Structure" for further details.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a patent assignment agreement dated September 1, 2016 between Hoffmann-La Roche Inc. and F. Hoffmann-La Roche Ltd. (collectively, "Roche") and the Company on the other hand, as further described in the sub-section headed "Business — Overview of our License Arrangements — Patents — AMP-activated Protein Kinase (AMPK)" in this prospectus;

(b) a share subscription agreement dated January 22, 2018 between ARCH Venture Fund VII, L.P., Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund II LP, Eight Roads Investments Limited, Venrock Associates V, L.P., Venrock Partners V, L.P., Venrock Entrepreneurs Fund V, L.P., Wuxi Pharmatech Healthcare Fund I L.P., Ge Li and Ning Zhao, John J. Baldwin and Ann M. Baldwin, Jang Xingfang Hong, Kelly Xiao Chen, Kevin Hong Chen, The George and Ann Lin 2005 Trust, ABG II-Hua Limited, 6 Dimensions Capital, L.P., 6 Dimensions Affiliates Fund, L.P., Prized Resources Holdings Limited, Fortune Triumph Holdings Limited, Kurt Berney, HARVEST YUANXIANG (CAYMAN) LIMITED

(collectively, the "Series D Investors"), the Company, Hua HK, Hua Shanghai and Li Chen, pursuant to which the Company agreed to issue and sell to the Series D Investors, and the Series D Investors agreed to subscribe for and purchase, certain Series D Preferred Shares as further described in the sub-section headed "History, Development and Corporate Structure — Major Corporate Development and Shareholding changes of our Group — Our Company — (vi) Series D Financing" in this prospectus;

(c) a share subscription agreement dated March 12, 2018 between Tetrad Ventures Pte Ltd, Absolute Partners Master Fund Limited, Avict Global Holdings Limited, Praise Fortune Project Company Limited, Woodbury Capital Management Limited, BlackRock Health Sciences Trust, BlackRock Health Sciences Opportunities Portfolio, a series of BlackRock Funds, Bryan White, The George and Ann Lin 2005 Trust, Enrique Becerra Soto and Stephen Patrick Gore (collectively, the "Series E Investors"), the Company, Hua HK, Hua Shanghai and Li Chen, pursuant to which the Company agreed to issue and sell to the Series E Investors, and the Series E Investors agreed to subscribe for and purchase, certain Series E Preferred Shares as further described in the sub-section headed "History, Development and Corporate Structure — Major Corporate Development and Shareholding changes of our Group — Our Company — (vii) Series E Financing" in this prospectus;

(d) the fourth amended and restated investors' rights agreement dated March 14, 2018 between the Series D Investors, the Series E Investors, John Choi, Alysia Baldwin Ferro, Tracy Baldwin, John K. Baldwin, Edgar Hotard, Sino-Alliance International, Ltd, China Life Sciences Access Fund, L.P., Parkway Limited, Suzhou Frontline, Aeon Life, Shanghai Longwin (collectively, the "Investors"), the Company , Hua HK, Hua Shanghai and Li Chen in respect of certain rights of the Investors and matters in relation to the Company as further described in the sub-section headed "History, Development and Corporate Structure - Pre-IPO Investments" in this prospectus;

(e) the fourth amended and restated right of first refusal and co-sale agreement dated March 14, 2018 between, the Investors, the Company, Hua HK, Hua Shanghai and Li Chen in respect of certain rights of and restrictions on the transfer of the shares of the Company as further described in the sub-section headed "History, Development and Corporate Structure - Pre-IPO Investments" in this prospectus; and

(f) The Hong Kong Underwriting Agreement.

2. **Our Material Intellectual Property Rights**

(a) ***Trademarks***

As of the Latest Practicable Date, our material registered trademarks were as follows:

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Expiry date
1		PRC	Hua Shanghai	15215762	44	October 20, 2025
2		PRC	Hua Shanghai	15215769; 15215765	7; 36	November 27, 2025
3		PRC	Hua Shanghai	15215763	42	February 6, 2026
4		PRC	Hua Shanghai	15215768; 15215766; 15215764;	10; 35; 40	March 6, 2026
5		PRC	Hua Shanghai	15215770; 15215770A	5	December 27, 2026; January 6, 2026

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which we consider to be material to our business:

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
1		Hong Kong	the Company	304466494	5	March 20, 2018

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
2	Hua Medicine HUA MEDICINE	Hong Kong	the Company	304466520	5	March 20, 2018
3	華醫藥 华医药	Hong Kong	the Company	304466502	5	March 20, 2018
4	華領醫藥 华领医药	Hong Kong	the Company	304466539	5	March 20, 2018
5		US	The Company	87861375	5	April 3, 2018
6	Hua Medicine	US	The Company	87861699	5	April 3, 2018
7	华领医药	US	Hua Shanghai	87861424	5	April 3, 2018
8	华医药	US	The Company	87861437	5	April 3, 2018
9	华领医药	PRC	Hua Shanghai	29647553	5	March 16, 2018
10	华安唐	PRC	Hua Shanghai	32065218	5	July 5, 2018
11	华唐平	PRC	Hua Shanghai	32065203	5	July 5, 2018
12	华利敏	PRC	Hua Shanghai	32062619	5	July 5, 2018
13	华力达	PRC	Hua Shanghai	32059920	5	July 5, 2018
14	华堂宁	PRC	Hua Shanghai	32021545	5	July 5, 2018

(b) ***Patents***

As of the Latest Practicable Date, our material patents were as follows:

Patent No.	Description	Place of Registration	Registered Owner	Issuance Date
7,741,327	Pyrrolidinone Glucokinase Activators	US	Hoffmann-La Roche Inc.	June 22, 2010
200980113416.1	Pyrrolidinone Glucokinase Activators (吡咯烷酮葡糖激酶激活劑)	PRC	F. Hoffmann-La Roche AG	December 31, 2014
2274297	Pyrrolidinone Glucokinase Activators	Europe	F. Hoffmann-La Roche AG	May 9, 2012
5518838	Pyrrolidinone Glucokinase Activators	Japan	F. Hoffmann-La Roche AG	April 11, 2014
10-1259249	Pyrrolidinone Glucokinase Activators	Republic of Korea	F. Hoffmann-La Roche AG	April 30, 2013
2009237794	Pyrrolidinone Glucokinase Activators	Australia	F. Hoffmann-La Roche AG	July 10, 2014
207503	Pyrrolidinone Glucokinase Activators	Israel	F. Hoffmann-La Roche AG	July 31, 2014
2010011226	Pyrrolidinone Glucokinase Activators	Mexico	F. Hoffmann-La Roche AG	January 9, 2012
2010060721	Pyrrolidinone Glucokinase Activators	Singapore	F. Hoffmann-La Roche AG	March 28, 2013
2 720 524	Pyrrolidinone Glucokinase Activators	Canada	F. Hoffmann-La Roche AG	July 12, 2016
277836	Pyrrolidinone Glucokinase Activators	India	F. Hoffmann-La Roche AG	December 2, 2016

Patent No.	Description	Place of Registration	Registered Owner	Issuance Date
9,388,168	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	US	The Company	July 12, 2016
201380068179.8	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine (1 -（[1,3]二氧戊環-4-基甲基）-1H-吡唑-3-胺的製備方法)	PRC	The Company	October 10, 2017
2 938 609	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Europe	The Company	April 12, 2017
6297590	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Japan	The Company	March 2, 2018
2013369473	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Australia	The Company	March 9, 2017
11201504951T	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Singapore	The Company	February 2, 2017
2 621 725	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Russia	The Company	June 7, 2017

Patent No.	Description	Place of Registration	Registered Owner	Issuance Date
201504601	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	South Africa	The Company	October 26, 2016
8,546,427	Tetrahydroquinoline Derivatives used as AMPK Activators	US	The Company	October 1, 2013
2 630 124	Tetrahydroquinoline Derivatives used as AMPK Activators	Europe	The Company	November 19, 2014
6104807	Tetrahydroquinoline Derivatives used as AMPK Activators	Japan	The Company	March 10, 2017
2013002694	Tetrahydroquinoline Derivatives used as AMPK Activators	Mexico	The Company	January 29, 2015
2615758	Tetrahydroquinoline Derivatives used as AMPK Activators	Russia	The Company	April 11, 2017
10-1854485	Tetrahydroquinoline Derivatives used as AMPK Activators	Republic of Korea	The Company	April 26, 2018
8,344,137	3,3-Dimenthyl Tetrahydroquinoline Derivatives	US	The Company	January 1, 2013
8,586,747	3,3-Dimenthyl Tetrahydroquinoline Derivatives	US	The Company	November 19, 2013
201180118882.9	3,3-Dimenthyl Tetrahydroquinoline Derivatives (3,3-二甲基四氢喹啉衍生物)	PRC	The Company	July 16, 2014
2 795 387	3,3-Dimenthyl Tetrahydroquinoline Derivatives	Canada	The Company	January 2, 2018

Patent No.	Description	Place of Registration	Registered Owner	Issuance Date
2 558 449	3,3-Dimenthyl Tetrahydroquinoline Derivatives	Europe	The Company	March 5, 2014
1176608	3,3-Dimenthyl Tetrahydroquinoline Derivatives	Hong Kong	The Company	October 24, 2014
2012011780	3,3-Dimenthyl Tetrahydroquinoline Derivatives	Mexico	The Company	June 9, 2014
10-1726469.	3,3-Dimenthyl Tetrahydroquinoline Derivatives	Republic of Korea	The Company	April 6, 2017
2 603 276	3,3-Dimenthyl Tetrahydroquinoline Derivatives	Russia	The Company	November 7, 2016
292008	3,3-Dimenthyl Tetrahydroquinoline Derivatives	India	The Company	January 23, 2018

As of the Latest Practicable Date, we own or have rights in the following patent applications which are material to our business:

Application No.	Description	Place of Filing	Registered Owner	Date of Application
PI0911035-6.	Pyrrolidinone Glucokinase Activators	Brazil	F. Hoffmann-La Roche AG	April 6. 2009
1120150152295 . .	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Brazil	The Company	December 20, 2013
2896155.	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Canada	The Company	December 20, 2013
16101337.2	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Hong Kong	The Company	December 20, 2013
1645/MUMNP/ 2015.	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	India	The Company	December 20, 2013

Application No.	Description	Place of Filing	Registered Owner	Date of Application
239558.	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Israel	The Company	December 20, 2013
709362.	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	New Zealand	The Company	December 20, 2013
2015-7019691 . . .	Process for the Preparation of 1-([1,3]dioxolan-4-ylmethyl)-1H-pyrazol-3-ylamine	Republic of Korea	The Company	December 20, 2013
201711342429.9. .	Oral Formulation of Glucokinase Activators and its preparation (葡萄糖激酶激活劑的口服製劑及其製備方法)	PRC	Hua Shanghai	December 14, 2017
PCT/CN2017/116209	Oral Formulation of Glucokinase Activators and its preparation (葡萄糖激酶激活劑的口服製劑及其製備方法)	PRC	Hua Shanghai	December 14, 2017
TW106144500 . . .	Oral Formulation of Glucokinase Activators and its preparation (葡萄糖激酶激活劑的口服製劑及其製備方法)	Taiwan	Hua Shanghai	December 15, 2017
201380073290.6 .	mGluR Regulators (mGluR調節劑)	PRC	Hua Shanghai	February 18, 2013
PCT/CN2013/071644	mGluR Regulators	PRC	Hua Shanghai	February 18, 2013
201510713865.7. .	Pyrrolidine Derivatives (吡咯烷衍生物)	PRC	Hua Shanghai	October 28, 2015
PCT/CN2016/102946	Pyrrolidine Derivatives (吡咯烷衍生物)	PRC	Hua Shanghai	October 21, 2016
105134694	Pyrrolidine derivatives (化合物或其可藥用鹽、藥物組合物及其用途)	Taiwan	Hua Shanghai	October 27, 2016
PCT/CN2016/070115	Pyrazole Derivatives	PRC	Hua Shanghai	January 5, 2016
PCT/CN2016/078548	Pyrrole Derivatives	PRC	Hua Shanghai	April 6, 2016

Application No.	Description	Place of Filing	Registered Owner	Date of Application
112013009640 3..	Tetrahydroquinoline Derivatives used as AMPK Activators	Brazil	The Company	October 17, 2011
2814594.....	Tetrahydroquinoline Derivatives used as AMPK Activators	Canada	The Company	October 17, 2011
1120120263382 ..	Novel 3,3-Dimenthyl Tetrahydroquinoline Derivatives	Brazil	The Company	April 8, 2011
2016800629932... .	Pyrrolidine Derivatives (吡咯烷衍生物)	PRC	Hua Shanghai	October 21, 2016

(c) ***Domain Names***

As of the Latest Practicable Date, our material domain names were as follows:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	Huamedicine.com	Hua Shanghai	May 24, 2010	May 24, 2020
2.	Huamedicine.net.cn	Hua Shanghai	July 4, 2013	July 4, 2020
3.	Huamedicine.com.cn	Hua Shanghai	July 4, 2013	July 4, 2020
4.	Huamedicine.net	Hua Shanghai	July 4, 2013	July 4, 2020
5.	Huamedicine.cn	Hua Shanghai	July 4, 2013	July 4, 2020

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) ***Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations***

The following table sets out the interests and short positions of the Directors and chief executive of the Company immediately following completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares that may be allotted and issued under the Post-IPO Share Option Scheme) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

Name of Director	Capacity/ nature of interest	Name of Company	Number of Shares[1]	Approximate percentage of shareholding
Dr. Li CHEN	Interest of spouse[2]	the Company	25,320,690	2.31%
	Beneficial Owner[3]	the Company	13,921,725	1.27%
Mr. George Chien Cheng LIN	Founder and beneficiary of trust[4]	the Company	688,320	0.06%
	Beneficial Owner[5]	the Company	33,403,380	3.05%
Mr. Robert Taylor NELSEN	Interest of Controlled Corporation[6]	the Company	125,088,960	11.43%
Dr. Lian Yong CHEN	Interest of Controlled Corporation[7]	the Company	8,571,420	0.78%

Notes:

(1) All interests stated are long positions and after adjustment pursuant to the Capitalization Issue.

(2) Dr. Chen is the spouse of Ms. Jane Xingfang Hong and under the SFO, Dr. Chen is deemed to be interested in the same number of Shares in which Ms. Jane Xingfang Hong maintains on interest.

(3) Being options for Shares granted pursuant to the Pre-IPO Share Incentive Scheme.

(4) The George and Ann Lin 2005 Trust is a family trust set up by Mr. Lin; therefore, Mr. Lin is deemed to be intereseted in the same number of Shares held by the George and Ann Lin 2005 Trust.

(5) Being options and awards for 25,980,405 Shares and 7,422,975 Shares granted pursuant to the Pre-IPO Share Incentive Scheme respectively.

(6) ARCH Venture Partners VII, LLC is controlled as to one-third by Mr. Nelsen and is the general partner of ARCH Venture Partners VII, L.P. Mr. Nelsen is therefore deemed to be interested in the same number of Shares held by ARCH Venture Fund VII, L.P.

(7) Dr. Lian Yong Chen is the general partner of China Life Sciences Access Fund, L.P. and is therefore deemed to be interested in the same number of Shares held by China Life Sciences Access Fund, L.P.

(b) ***Interests of the substantial shareholders in the Shares***

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares that may be allotted and issued under the Post-IPO Share Option Scheme, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) ***Interests of the substantial shareholders of other members of our Group***

So far as our Directors are aware, as at the Latest Practicable Date, no persons are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

2. **Particulars of Directors' Service Contracts and Letters of Appointment**

Each of Dr. Li Chen and Mr. George Lin, being our executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the executive Director or our Company.

Each of Mr. Robert Taylor Nelsen and Dr. Lian Yong Chen, being our non-executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one months' notice in writing served by either the non-executive Director or our Company.

Each of Mr. Walter Teh-Ming Kwauk, Mr. William Robert Keller, Mr. Junling Liu, and Mr. Yiu Wa Alec Tsui being our independent non-executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than one months' notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed in this prospectus, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

3. **Remuneration of Directors**

The aggregate amount of remuneration which was paid to our Directors for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 was approximately RMB3.5 million, RMB4.0 million and RMB1.1 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB16.92 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2018, under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which was paid by the Group to our five highest paid individuals (including both employees and Directors) for the two years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 were approximately RMB10.06 million, RMB10.62 million and RMB5.0 million, respectively.

During the Track Record Period, an aggregate amount of US$2 million was conditionally paid to our Directors and the five highest paid individuals as an inducement to join, or upon joining, the Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of our Directors waived any emoluments during the same period.

4. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us 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 us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) none of our Directors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Shares that may be allotted and issued under the Post-IPO Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of the Company have any interests in the five largest suppliers of the Group.

(d) each of our executive and non-executive Directors have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates (as defined in the Listing Rules) 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 Listing Rules.

D. SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Incentive Scheme

(a) ***Purpose and Principal Terms***

The purpose of the Pre-IPO Share Incentive Scheme is to enable our Group to grant options or awards to qualified persons (as determined by our Board or any committees appointed by the Board to administer this scheme (the "Committee") including any director, employee, adviser and consultant of our Company or any of our associated companies as incentives or rewards by reason of their contribution or potential contribution to our Company and/or any of our associated companies. The principal terms of the Pre-IPO Share Incentive Scheme are as follows:

(i) Subject to any alterations set out under the Pre-IPO Share Incentive Scheme in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company that may take place after the Listing, the maximum number of Shares in respect of which options or awards may be granted under the Pre-IPO Share Incentive Scheme shall be 7,800,000 (or 117,000,000 after Capitalization Issue), representing no more than 12.35% of the issued share capital of our Company immediately before completion of the Global Offering.

(ii) No option or award under the Pre-IPO Share Incentive Scheme will be granted after Listing.

(iii) No consideration were paid by the grantees for the options and awards granted under the Pre-IPO Share Incentive Scheme.

(iv) Subject to the terms of the Pre-IPO Share Incentive Scheme and the terms set out in the grant document entered into at the time of grant (the "Grant Letter"), the options and awards granted under the Pre-IPO Share Incentive Scheme shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or award granted or attempt to do so.

(v) Subject to the terms of the Pre-IPO Share Incentive Scheme and the terms set out in the Grant Letter, the options and awards under the Pre-IPO Share Incentive Scheme will become immediately vested and exercisable upon liquidation or dissolution of the Company. The Committee may make provision for a cash payment in settlement of any outstanding options or awards.

(vi) Each grantee to whom a share award has been granted shall be entitled to the Shares they are awarded in accordance with the terms (including any restrictions and vesting requirement that may be imposed) of the Pre-IPO Share Incentive Scheme and the Grant Letter. Notwithstanding the Grant Letter, a share award should either vest or be forfeited not more than 10 years after the date of grant.

(vii) Each grantee to whom an option has been granted shall be entitled to exercise the option in such manner as determined by the Committee and as set out in the Grant Letter. Notwithstanding the Grant Letter, an option shall expire not more than 10 years after its date of grant.

(viii) Pursuant to the Grant Letters, the Shares allotted and issued to a grantee upon exercise of the options or vesting of the awards granted are subject to lock-up for a period of 180 days from the date of this prospectus, during which the grantee may not sell, transfer or dispose of such Shares.

(ix) In terms of rights on death or termination of employment:

(a) If the grantee's employment ceases (the "Relevant Event") as a result of death or total disability, the grantee or their personal representative or beneficiary may exercise any options or awards granted under the Pre-IPO Share Incentive Scheme that are exercisable at the time of the Relevant Event within 12 months of such date;

(b) If the grantee's employment is terminated for cause, all of the options and awards granted shall terminate on the date of the Relevant Event, regardless of whether they are vested and exercisable or not; and

(c) If the grantee's employment is terminated for any reason other than those referred to in (a) and (b) above, the grantee may exercise any options or awards granted that are exercisable at the time of the Relevant Event within 3 months of such date.

(ix) The Board may, at any time, terminate or, from time to time, amend, modify or suspend the Pre-IPO Share Incentive Scheme, in whole or in part, save that the amendment, suspension or termination may not affect a grantee in any material adverse manner.

(b) ***Establishment of Employee Trust***

On August 26, 2018, the Company entered into a trust deed with The Core Trust Company Limited (the "Trustee") and HLYY Limited (the "Nominee"), pursuant to which the Trustee has agreed to act as the trustee to administer the Pre-IPO Share Incentive Scheme and to hold the Shares underlying the share options and award granted under the Pre-IPO Share Incentive Scheme through its wholly-owned subsidiary, the Nominee. On August 27, 2018, the Company allotted and issued 7,800,000 Shares (equivalent to 117,000,000 Shares after Capitalization Issue)(the "ESOP Shares"), representing 7,305,135 Shares (equivalent to 109,577,025 Shares after Capitalization Issue) underlying the options granted and 494,865 Shares (equivalent to 7,422,975 Shares after Capitalization Issue) underlying the awards granted under the Pre-IPO Share Incentive Scheme, to the Nominee so to set aside a pool of Shares to satisfy the options and awards granted under the Pre-IPO Share Incentive Scheme. No further Shares will be allotted and issued to the Nominee or the Trustee for the purpose of the Pre-IPO Share Incentive Scheme (other than pursuant to capitalization issue, rights issue, sub-division or consolidation of shares in accordance with the Pre-IPO Share Incentive Scheme), and no further option or award under the Pre-IPO Share Incentive Scheme will be granted after Listing.

Neither the Nominee or the Trustee will exercise any voting right in respect of the ESOP Shares, and a grantee is not entitled to any non-scrip dividend in respect of the ESOP Shares, unless and until such Shares are released to the grantee upon exercise of the options or vesting of the awards. All non-scrip dividend obtained by the Nominee in respect of the ESOP Shares shall be held by the Nominee and dealt with in accordance with the Company's instructions. All scrip dividend obtained by the Nominee in respect of the ESOP Shares shall be held on trust by the Nominee for the benefit of the grantees.

Upon termination or expiry of the Pre-IPO Share Incentive Scheme, any ESOP Shares remained under the trust for which options or awards have lapsed or been terminated in accordance with the Pre-IPO Share Incentive Scheme shall be sold on market by the Nominee or dealt with in accordance with the Company's instructions, and any net proceeds from such sale shall be remitted to the Company. The ESOP Shares held by the Nominee which have not yet been released to the grantees pursuant to any exercise of options or vesting of the awards will not be counted towards the public float.

(c) ***Outstanding Grants***

As of the date of this prospectus, share options to subscribe for an aggregate of 109,577,025 Shares (as adjusted after Capitalization Issue) have been granted to a total of 97 eligible participants by our Company under the Pre-IPO Share Incentive Scheme.

A summary of the grantees who have been granted options under the Pre-IPO Share Incentive Scheme is set forth below:

Grantee	Position/ Relationship	Address	Number of outstanding Shares under the options granted (as adjusted after Capitalization Issue)	Approximate percentage of enlarged issued share capital of the Company immediately after completion of the Global Offering	Note
Directors					
Li Chen	Co-Founder; Executive Director; Chief Executive Officer; Chief Scientific Officer	Building 70, No. 2 Che Xin Road Songjiang District, Shanghai PRC	13,921,725	1.32%	5, 6, 7 8, 10, 15, 20
George Chien Cheng Lin . .	Executive Director; Executive Vice President, Chief Financial Officer	Flat 23A, Monmouth Villa No. 3 Monmouth Terrace Wanchai, Hong Kong	25,980,405	2.47%	11

Grantee	Position/ Relationship	Address	Number of outstanding Shares under the options granted (as adjusted after Capitalization Issue)	Approximate percentage of enlarged issued share capital of the Company immediately after completion of the Global Offering	Note
Senior management					
Daniel Yunlong Du	Senior Vice President, Regulatory, Clinical and Manufacture, Drug Safety and Pharmacovigilance	Unit 505, Gate 13, Building 9, Lane 825, Chenhui Road, Zhangjiang, Pudong, Shanghai, PRC	3,808,320	0.36%	9, 12, 17
Yi Zhang.	Senior Vice President, Clinical R&D	Room 1102, No. 13, Lane 2088, Wanhangdu Road, Shanghai, PRC	9,733,320	0.93%	2,4,5, 6,7,8, 9,16
Yong Guo Li	Senior Vice President, Chemical Manufacturing Control	Room 203, No. 3, Lane 300, Nandan East Road, Xuhui District, Shanghai, PRC	5,308,320	0.50%	2,3,4, 5,6,7 8,9,16
Jin She.	Vice President, Chemical Manufacturing Control	Room 101, No. 57, Lane 50, Guanglan Road, Pudong New Area, Shanghai, PRC	3,900,000	0.37%	6,7,8, 9,16
Yi Lei Fu	Vice President, Quality Assurance	Room 602, No. 40, Lvxing Community, Xianan Road, Pudong New Area, Shanghai, PRC	3,433,320	0.33%	8,9,13,16
Wenjie Xu.	Vice President, Head of Commercial Strategy and Marketing	No. 118, Lane 2008 Cheng Shan Road, Shanghai, PRC	2,250,000	0.21%	20
Other connected persons					
Kelly Xiao Chen	Associate of a Director of the Company	Room 702, Building 18, Talent Apartment, Zhangjiang Gaokeyuan, Pudong, Shanghai, PRC	343,395	0.03%	5,6,7, 14,15
John J. Baldwin	Former Director of Hua HK	621 Gypsy Hill Circle Gwynedd Valley PA, 19437 United States of America	1,125,000	0.11%	5,6,18

Grantee	Position/ Relationship	Address	Number of outstanding Shares under the options granted (as adjusted after Capitalization Issue)	Approximate percentage of enlarged issued share capital of the Company immediately after completion of the Global Offering	Note
87 other optionholders including employees and advisors of the Group . .	Not Applicable	Not Applicable	39,773,220	3.78%	19
Total			109,577,025	10.42%	

Notes:

1. *Unless stated otherwise, 25% of the Shares subject to the options will be vested on the first anniversary of the vesting commencement date and the remaining 75% of the Shares subject to the options will be vested in 36 monthly installments thereafter, subject to the grantee's continued employment through the applicable vesting date (the "**Standard Vesting Schedule**").*
2. *With vesting commencement date on September 1, 2014 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.52).*
3. *With vesting commencement date of November 1, 2012 and are exercisable in accordance with the Standard Vesting Schedule an exercise price of approximately US$0.07 (equivalent to approximately HK$0.52).*
4. *With vesting commencement date of August 1, 2012 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.52).*
5. *With vesting commencement date of November 21, 2014 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.52).*
6. *With vesting commencement date of December 22, 2015 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.23 (equivalent to approximately HK$1.83).*
7. *With vesting commencement date of December 30, 2016 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).*
8. *With vesting commencement date of December 29, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.52).*
9. *With vesting commencement date of April 4, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.25 (equivalent to approximately HK$1.94).*
10. *With vesting commencement date of April 28, 2016 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.40 (equivalent to approximately HK$3.14).*
11. *With vesting commencement date of September 30, 2018 and December 22, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).*
12. *With vesting commencement date of August 15, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).*
13. *With vesting commencement date of July 17, 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.07 (equivalent to approximately HK$0.52).*
14. *With vesting commencement date of December 29. 2017 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).*
15. *With vesting commencement date of April 4, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).*
16. *With vesting commencement date of June 1, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.25 (equivalent to approximately HK$1.94).*

17. With vesting commencement date of June 1, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).

18. With vesting commencement date of on the earlier of Listing or January 1, 2019 and are exercisable after vesting in 48 equal monthly installments after the vesting commencement date at an exercise price of approximately US$0.47 (equivalent to approximately HK$3.66).

19. The options are exercisable from September 12, 2013 to July 31, 2028 and are exercisable in accordance with the terms in their grant letter, at an exercise price of approximately US$0.07 to US$0.47 (equivalent to approximately HK$0.52 to HK$3.66).

20. With vesting commencement date of August 1, 2018 and are exercisable in accordance with the Standard Vesting Schedule at an exercise price of approximately US$0.37 (equivalent to approximately HK$2.88).

21. The exercise prices set out above were adjusted assuming the Capitalization Issue has been completed.

In addition, as of the date of this prospectus, awards for an aggregate of 7,422,975 Shares (as adjusted after Capitalization Issue) have been granted to 1 eligible participant (namely, our Director Mr. George Chien Cheng Lin) by our Company under the Pre-IPO Share Incentive Scheme. Such Shares will be vested when a qualified IPO is achieved (which this Offering qualifies for) in 48 monthly installments, subject to the grantee's continued employment through the applicable vesting date.

Save as disclosed above, no other options and awards have been granted or agreed to be granted by the Company under the Pre-IPO Share Incentive Scheme.

Application has been made to the Listing Committee for the listing of and permission to deal in the 117,000,000 Shares that may be allotted and issued pursuant to the options and awards granted under the Pre-IPO Share Incentive Scheme after the Capitalization Issue.

(d) ***Effect on Earnings per Share as a Result of the Pre-IPO Share Incentive Scheme***

Subject to any alterations set out under the Pre-IPO Share Incentive Scheme in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company that may take place after the Listing, the total number of shares subject to the options and awards granted under the Pre-IPO Share Incentive Scheme shall be no more than 117,000,000 Shares, representing approximately 11.12% of the issued share capital of our Company immediately upon completion of the Global Offering (excluding any Share which may fall to be allotted and issued upon the exercise of the Over-allotment Option or options granted under the Post-IPO Share Option Scheme). As the Shares underlying the options/awards granted under the Pre-IPO Share Incentive Scheme have been allotted and issued to the Nominee, the exercise of the options or the vesting of the awards under the Pre-IPO Share Incentive Scheme will not have any dilution effect to the shareholding of our Shareholders. Further, as we recorded net loss for the years ended December 31, 2016 and 2017 and three months ended March 31, 2018, no dilution effect will be resulted assuming that (i) our Company had been listed on the Stock Exchange since March 31, 2018 with 1,051,913,300 Shares in issue; and (ii) all the options and awards granted under the Pre-IPO Share Incentive Scheme in respect of 117,000,000 Shares were exercised and vested in full on March 31, 2018.

2. **Post-IPO Share Option Scheme**

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on August 26, 2018.

(a) ***Purpose***

The purpose of the Post-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) ***Who may join***

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Post-IPO Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) ***Maximum number of Shares***

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of our Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 105,191,330 Shares (the "General Scheme Limit"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(d) ***Maximum entitlement of each participant***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "Individual Limit"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) ***Grant of options to connected persons***

(i) Any grant of options under the Post-IPO Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

(ii) Where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) ***Time of acceptance and exercise of option***

An option may be accepted by a participant within 5 business days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

(g) ***Performance targets***

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

(h) ***Subscription price for Shares and consideration for the option***

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

(i) ***Ranking of Shares***

(i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum of Association and Articles of Association and will rank pari passu in all respects with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members ("Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise

of an option shall not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(ii) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(j) ***Restrictions on the time of grant of options***

No offer for grant of options shall be made after inside information has come to the Company's knowledge until it has announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) ***Period of the Post-IPO Share Option Scheme***

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

(l) ***Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Post-IPO Share Option Scheme.

(m) ***Rights on ceasing employment***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group whether salary is paid in lieu of notice or not.

(n) ***Rights on death***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.

(o) ***Rights on dismissal***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his option will lapse automatically and will not be exercisable on or after the date of ceasing to be an Eligible Employee.

(p) ***Rights on a general offer, a compromise or arrangement***

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a general offer for Shares by way of scheme of arrangement is made to our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(q) ***Rights on winding up***

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(r) ***Adjustments to the subscription price***

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to (a) the number or nominal amount of Shares to which the Post-IPO Share Option Scheme or any option relates, so far as unexercised, and/or (b) the subscription price of the option concerned, and/or (c) the method of exercise of the Option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the "Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule" attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes).

(s) ***Cancellation of options***

Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

(t) ***Termination of the Post-IPO Share Option Scheme***

Our Company may by ordinary resolution in a general meeting at any time resolve to terminate the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further options shall be offered or granted but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the

exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(u) ***Lapse of option***

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period referred to in sub-paragraph (f);

(ii) the expiry of the periods or dates referred to in sub-paragraphs (m), (n), (o), (p) and (q);

(iii) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an option granted under the Post-IPO Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an Option on the death of the Grantee to his personal representative(s) on the terms of this Scheme;

(iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be a participant of the Post-IPO Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(v) the date on which the grantee joins a company which the board believes in its sole and reasonable opinion to be a competitor of our Company;

(vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vii) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (m) or (n), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any other reason.

(v) ***Others***

(i) The Post-IPO Share Option Scheme is conditional on the Listing Committee granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme,

such number representing the General Scheme Limit. Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

(ii) The terms and conditions of the Post-IPO Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting.

(iii) Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

(iv) The amended terms of the Post-IPO Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(v) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme shall be approved by our Shareholders in a general meeting.

(w) ***Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) ***Grant of options***

As of the date of this prospectus, no options have been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

Except as disclosed in this prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

2. Preliminary expenses

Our Company's preliminary expenses are approximately HK$27,000 and have been paid by our Company.

3. Estate duty

Our Directors confirmed that no material liability for estate duty is likely to fall on any member of our Group.

4. Promoter

Our Company has no promoter for the purpose of the Listing. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

5. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. No Material Adverse Change

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 financial statements of our Group were made up) up to the date of this prospectus.

7. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Underwriting Arrangements and Expenses — The International Offering — Commission and Expenses."

8. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
Goldman Sachs (Asia) L.L.C..	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts, Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
CLSA Capital Markets Limited . . .	Licensed corporation under the SFO for Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Commerce & Finance Law Offices.	PRC legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law

9. Consents

Each of Goldman Sachs (Asia) L.L.C., CLSA Capital Markets Limited, Deloitte Touche Tohmatsu, Commerce & Finance Law Offices, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and Maples and Calder (Hong Kong) LLP has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

10. Joint Sponsors

Each of the Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fees payable by us in respect of the Joint Sponsors' services as sponsors for the Listing are US$700,000.

11. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, 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.

12. **Taxation of Holders of Our Shares**

(a) ***Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may 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.

(b) ***Cayman Islands***

There is no stamp duty 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.

(c) ***Consultation with professional advisers***

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

13. **Miscellaneous**

Save as otherwise disclosed in this prospectus:

(i) none of our Directors or experts referred to in the section headed "— E. Other Information — 8. Qualifications of Experts" of this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(ii) none of the Directors or experts referred to in the section headed "— E. Other Information — 8. Qualifications of Experts" of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(iii) save for the Underwriting Agreements, none of the experts referred to under the section headed "— E. Other Information — 8. Qualifications of Experts" of this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(iv) within the two years preceding the date of this prospectus, no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(v) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(vi) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in the Company;

(vii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(viii) our Company has no outstanding convertible debt securities or debentures;

(ix) no capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(x) there is no arrangement under which future dividends are waived or agreed to be waived;

(xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(xii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought.

14. **Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the Business of the Company — 1. Summary of Material Contracts" in Appendix IV to this prospectus; and (iii) the written consents referred to in section headed "Statutory and General Information — E. Other information — 9. Consents" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of O'Melveny & Myers at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the accountants' report of the Group for the two financial years ended December 31, 2016 and 2017 and the three months ended March 31, 2018 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(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 received from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the PRC legal opinion issued by Commerce & Finance Law Offices, our legal advisers on PRC law, in respect of certain aspects of our Group in the PRC;

(f) the letter issued by Maples and Calder (Hong Kong) LLP, our legal advisers on Cayman Islands laws, summarizing certain aspects of the Companies Law referred to in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix III to this prospectus;

(g) the Companies Law;

(h) the independent market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(i) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about the Business of the Company — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(j) the letters of appointment referred to in "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 2. Particulars of Directors' Letters of Appointment" in Appendix IV to this prospectus;

(k) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 9. Consents" in Appendix IV to this prospectus;

(l) the rules of the Pre-IPO Share Incentive Scheme;

(m) the rules of the Post-IPO Share Option Scheme; and

(n) a full list of all the grantees who have been granted options under the Pre-IPO Share Incentive Scheme, containing the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Hua Medicine

華領醫藥