Innovent

信達生物製藥

Innovent Biologics, Inc.

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1801

GLOBAL OFFERING

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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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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**236,350,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**23,635,000 Shares (subject to reallocation)**
Number of International Offering Shares	**:**	**212,715,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$14.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars subject to refund)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**1801**

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

Morgan Stanley　Goldman Sachs　J.P.Morgan　CMS 招商證券國際

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

華泰金控 HUATAI FINANCIAL

Joint Bookrunner and Joint Lead Manager

HSBC

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, October 23, 2018 and, in any event, not later than Tuesday, October 30, 2018. The Offer Price will be not more than HK$14.00 and is currently expected to be not less than HK$12.50, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, October 30, 2018 between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with the Company's consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this 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 Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.innoventbio.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

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

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

October 18, 2018

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 the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] ..... 11:30 a.m. on Tuesday, October 23, 2018

Application lists open[3] ..... 11:45 a.m. on Tuesday, October 23, 2018

Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) giving **electronic application instructions** to HKSCC and (c) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[4] ..... 12:00 noon on Tuesday, October 23, 2018

Application lists close[3] ..... 12:00 noon on Tuesday, October 23, 2018

Expected Price Determination Date[5] ..... Tuesday, October 23, 2018

Announcement of:

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

to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.innoventbio.com**[6] on or before ..... Tuesday, October 30, 2018

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to Apply for Hong Kong Offer Shares – Publication of results" in this prospectus) from ..... Tuesday, October 30, 2018

Results of allocations in the Hong Kong Public Offering
will be available at **www.iporesults.com.hk** (alternatively:
English **https://www.eipo.com.hk/en/Allotment**;
Chinese **https://www.eipo.com.hk/zh-hk/Allotment**)
with a "search by ID" function from ..... Tuesday, October 30, 2018

Dispatch of Share certificates and refund
cheques/White Form e-Refund payment instructions
(if applicable) on or before(7) ..... Tuesday, October 30, 2018

Dealings in the Shares on the Stock Exchange
expected to commence at .....9:00 a.m. on Wednesday,
October 31, 2018

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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 "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, October 23, 2018, the application lists will not open and will close on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

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

(5) The Price Determination Date is expected to be on or about Tuesday, October 23, 2018, and in any event, not later than Tuesday, October 30, 2018. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Tuesday, October 30, 2018, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, October 30, 2018, but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Wednesday, October 31, 2018. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.

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

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

CONTENTS

Dear investors,

Thank you for your support for Innovent Biologics, Inc. ("Innovent"). As we are about to embark on a new journey, I wanted to express my gratitude for your continued interest and support.

At this special moment, I would like to share with you my fundamental beliefs when I founded Innovent and our development over the past seven years, so that you can understand why we set out on this path and what we are striving to achieve.

Before founding Innovent, I was an explorer on the long and winding path of innovation in biopharmaceuticals. From a cattle raising boy deep in the mountains of China to a college graduate in a big city; from a Ph.D. at the Chinese Academy of Sciences to a postdoctoral fellow at the University of California San Francisco (UCSF), I became one of the scientists in the forefront of the development of biopharmaceuticals in the United States.

Conquering cancer – making cancers and other serious diseases that threaten human life and health become treatable and curable – is a major challenge in the field of life sciences. Biological medicines that bring together the latest achievements in life sciences, especially antibody drugs at the vanguard of biopharmaceutical research, are getting closer to overcoming this challenge. Being part of such an exciting field, we face tremendous obstacles that often keep me awake at night but also motivate me to work harder and continue to explore.

But real life concerns have often led me to wonder: what is the ultimate purpose of scientific exploration?

Biological drugs are within easy reach for patients in developed countries such as the United States, and those who are critically ill with cancer and other diseases are treatable and curable; while the vast majority of patients in China are faced with the dire reality in which they cannot buy or cannot afford biological drugs.

The reality is that there is a huge gap between China's biopharmaceutical industry and international industry standards. China's biopharmaceutical production capacity is less than one-fiftieth of that of the United States, and not even one-tenth of that of South Korea. Among the top ten best-selling drugs in the world, eight are biologics and five are monoclonal antibody drugs, while China's bestselling drugs are still mostly chemical drugs and traditional Chinese medicines. Imported drugs dominate China's antibody drug market, and for most Chinese patients, these life-saving drugs are often unaffordable and out of reach.

Developing high-quality biopharmaceutical products that are affordable to ordinary people will allow everyone to reap the benefits of the development of life sciences and technology on an equal footing.

Innovent is my answer to the question about the ultimate purpose of scientific exploration and my life's choice. In 2011, Innovent was established and all of us at Innovent began our journey to pursue this goal.

Businesses pursue profit but we do everything we can to offer high quality biopharmaceuticals at a reasonable price.

Therefore, from our inception, we have been committed to building a company that, on one hand, is deeply committed to product quality and global standards the way that established multinational biopharmaceutical companies are, and on the other hand, maintains the pioneering and competitive spirit that is the hallmark of successful Chinese companies.

This commitment has fueled our extraordinary development.

Our dedication to high quality standards has allowed us to focus on monoclonal antibodies, while adhering to the highest international standards for the development of innovative drugs. In the past seven years, we have established a product pipeline that includes 17 antibody drug candidates covering four major disease areas – oncology, ophthalmology, and autoimmune and cardiovascular diseases, which are in various stages of clinical development, including four drug candidates close to commercialization.

Our sincere desire to make medicine affordable to ordinary people has inspired us to build a "central kitchen" for the value chain of high-end biological drugs from discovery, to development, to commercialization, and has successfully transformed Innovent from a product company to a platform company.

The past seven years have been seven years of hard work for all of us at Innovent. We have grown from a startup company with only one office to one of the most successful unicorn enterprises in China.

In these seven years, we have continuously experienced the pride of achievement brought about by our hard work.

Through our efforts, we hope that patients in China with cancer and other serious diseases will be able to buy more affordable, innovative, Chinese drugs with similar or better efficacy to those currently available in developed countries like the United States. The immense innovations in Chinese biopharmaceuticals are becoming a force to be reckoned with in the global biopharmaceutical industry.

In the past seven years, I have also discovered a more profound answer to my question about the ultimate purpose of scientific exploration. The ultimate purpose of scientific exploration is to enable everyone to share the best possible health benefits that are attainable as a result of scientific and technological advancement. It is to accomplish something great with one's lifelong commitment – to exert one's full strength and potential for the betterment of the health and lives of the greatest number of people. It is to work hard with passion and perseverance to contribute to this great and exciting time in history in which we fortunately live.

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. ***In particular, we are a 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 decision should be made in light of these considerations.*

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Our mission is to create a world-class China-based biopharmaceutical company that develops and commercializes high quality drugs that are affordable to ordinary people. We were founded in 2011 by our visionary leader, Dr. De-Chao Michael Yu, a highly accomplished scientist, innovator and entrepreneur. Dr. Yu invented the world's first oncolytic virus-based immunotherapeutic product, Oncorine, and also co-invented and led the development of the first domestic innovative fully human antibody-like therapeutic approved for marketing in China, Conbercept. We are committed to innovation in drug development and have instituted global quality standards for every aspect of our Company's business and operations.

China's biologics market has experienced rapid growth in the past few years, more so than the global biologics market, and we believe it will continue its robust growth in the future, driven by the unmet needs of the cancer patient population, increasing healthcare expenditures, favorable government policies, the approval of new biologics therapies and increased investment in research and development. According to Frost & Sullivan, a leading global market research and consulting firm, China's biologics market grew from RMB86.2 billion in 2013 in terms of market size to RMB218.5 billion in 2017, representing a CAGR of 26.2% during the period.

To capitalize on this tremendous market opportunity, we have developed our fully-integrated platform which boasts advanced research, discovery, development, manufacturing and commercialization capabilities. These capabilities have enabled us to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other biologics in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing both the speed of development and the likelihood of success while at the same time reducing the cost of development. This platform is the engine that drives our business and allows us to manage the risks of drug development.

Leveraging our platform, we have built up a pipeline of 17 antibody drug candidates in the last seven years, led by our four core products that are in late-stage clinical development in China, including sintilimab (IBI-308), our novel PD-1 antibody; IBI-305, our bevacizumab (Avastin) biosimilar; IBI-301, our rituximab (MabThera/Rituxan) biosimilar; and IBI-303, our adalimumab (Humira) biosimilar. In addition, out of our pipeline of 17 antibody drug candidates, six are in clinical development in China, including two designated as Category 1 drug candidates, which are sintilimab and IBI-306, and four designated as Category 2 drug candidates, including IBI-310, IBI-301, IBI-303 and IBI-305. Moreover, four other drug candidates in our pipeline, IBI-302, IBI-307, IBI-101 and IBI-188, received IND approval in December 2016, June 2018, June 2018 and August 2018, respectively.

We have three bi-specific monoclonal antibody candidates based on sintilimab (IBI-308) in co-development with Eli Lilly, two of which, IBI-318 and IBI-319, are under development in China. See the section headed "Business –Collaboration Agreements–Collaboration with Eli Lilly–Addendum to the Exclusive License and Collaboration Agreement for China" for details. Pursuant to our agreement with Eli Lilly, certain specifics of these three bi-specific monoclonal antibody candidates remain confidential.

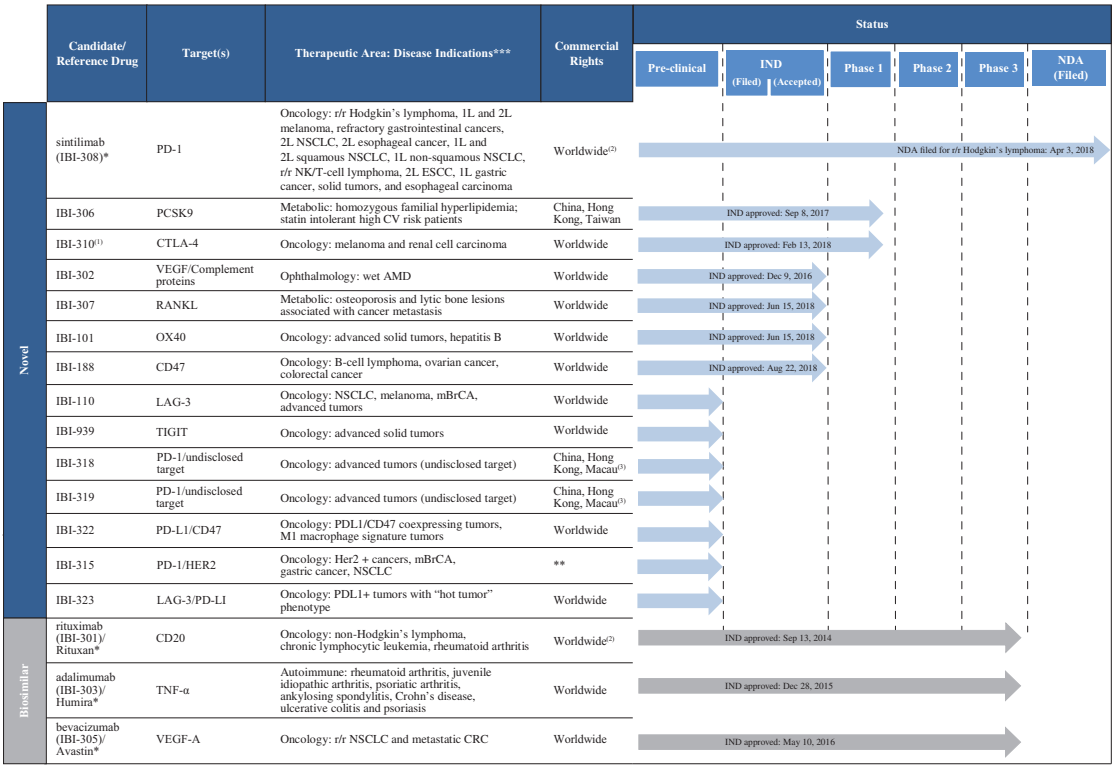
In addition to developing our pipeline drug candidates in China, we have obtained FDA approval for our IND applications for sintilimab (IBI-308) and IBI-188 and plan to initiate a multi-center Phase 1b/2 clinical trial for sintilimab (IBI-308) and a Phase 1a clinical trial for IBI-188 in the U.S.

For the two years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our research and development expenses were RMB384.7 million, RMB611.9 million, RMB225.4 million and RMB420.0 million, respectively. As of the Latest Practicable Date, with respect to our four core product candidates, we owned three issued Chinese patents and three pending Chinese patent applications, two pending U.S. patent applications, and four pending PCT applications, among others.

OUR DRUG CANDIDATES

The following table summarizes the development status in China of our pipeline antibody candidates as of the Latest Practicable Date:

	Candidate/ Reference Drug	Target(s)	Therapeutic Area: Disease Indications***	Commercial Rights	Status
Novel	sintilimab (IBI-308)*	PD-1	Oncology: r/r Hodgkin's lymphoma, 1L and 2L melanoma, refractory gastrointestinal cancers, 2L NSCLC, 2L esophageal cancer, 1L and 2L squamous NSCLC, 1L non-squamous NSCLC, r/r NK/T-cell lymphoma, 2L ESCC, 1L gastric cancer, solid tumors, and esophageal carcinoma	Worldwide[2]	NDA filed for r/r Hodgkin's lymphoma: Apr 3, 2018
Novel	IBI-306	PCSK9	Metabolic: homozygous familial hyperlipidemia; statin intolerant high CV risk patients	China, Hong Kong, Taiwan	IND approved: Sep 8, 2017
Novel	IBI-310[1]	CTLA-4	Oncology: melanoma and renal cell carcinoma	Worldwide	IND approved: Feb 13, 2018
Novel	IBI-302	VEGF/Complement proteins	Ophthalmology: wet AMD	Worldwide	IND approved: Dec 9, 2016
Novel	IBI-307	RANKL	Metabolic: osteoporosis and lytic bone lesions associated with cancer metastasis	Worldwide	IND approved: Jun 15, 2018
Novel	IBI-101	OX40	Oncology: advanced solid tumors, hepatitis B	Worldwide	IND approved: Jun 15, 2018
Novel	IBI-188	CD47	Oncology: B-cell lymphoma, ovarian cancer, colorectal cancer	Worldwide	IND approved: Aug 22, 2018
Novel	IBI-110	LAG-3	Oncology: NSCLC, melanoma, mBrCA, advanced tumors	Worldwide	
Novel	IBI-939	TIGIT	Oncology: advanced solid tumors	Worldwide	
Novel	IBI-318	PD-1/undisclosed target	Oncology: advanced tumors (undisclosed target)	China, Hong Kong, Macau[3]	
Novel	IBI-319	PD-1/undisclosed target	Oncology: advanced tumors (undisclosed target)	China, Hong Kong, Macau[3]	
Novel	IBI-322	PD-L1/CD47	Oncology: PDL1/CD47 coexpressing tumors, M1 macrophage signature tumors	Worldwide	
Novel	IBI-315	PD-1/HER2	Oncology: Her2 + cancers, mBrCA, gastric cancer, NSCLC	**	
Novel	IBI-323	LAG-3/PD-LI	Oncology: PDL1+ tumors with "hot tumor" phenotype	Worldwide	
Biosimilar	rituximab (IBI-301)/ Rituxan*	CD20	Oncology: non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis	Worldwide[2]	IND approved: Sep 13, 2014
Biosimilar	adalimumab (IBI-303)/ Humira*	TNF-α	Autoimmune: rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis	Worldwide	IND approved: Dec 28, 2015
Biosimilar	bevacizumab (IBI-305)/ Avastin*	VEGF-A	Oncology: r/r NSCLC and metastatic CRC	Worldwide	IND approved: May 10, 2016



Abbreviations: 1L = first-line; 2L = second-line; AMD = age-related macular degeneration; CRC = colorectal cancer; CV = cardiovascular; EGFR = epidermal growth factor receptor; ESCC = esophageal squamous cell carcinoma; HCC = hepatocellular carcinoma; NHL = non-Hodgkin's lymphoma; NK/T-cell lymphoma = natural killer/T-cell lymphoma; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; r/r = relapsed, refractory; SCLC = small-cell lung cancer; TKI = tyrosine kinase inhibitor.

* denotes a core product.

** collaboration with Hanmi, subject to confidentiality terms prohibiting the disclosure of confidential information.

*** We also plan to develop sintilimab in combination with (i) IBI-310 for the treatment of melanoma, SCLC and RCC, (ii) each of IBI-101, IBI-188, IBI-110 and IBI-939 for the treatment of advanced solid tumors, (iii) IBI-305 for the treatment of HCC and EGFR-TKI failure NSCLC, and (iv) IBI-301 for the treatment of B-cell NHL. We also plan to develop IBI-188 in combination with IBI-301 for the treatment of B-cell NHL.

(1) We are developing IBI-310 as an innovative drug candidate in accordance with NMPA regulations because ipilimumab has not been approved for marketing in China even though IBI-310 has the same amino acid sequence as ipilimumab.

(2) We and Eli Lilly will co-promote sintilimab (IBI-308) and rituximab (IBI-301) in China, Hong Kong and Macau.

(3) Eli Lilly may opt in to co-commercialize IBI-318 and IBI-319 with us in China, Hong Kong and Macau.

Sintilimab is an innovative fully human PD-1 monoclonal antibody and one of the first PD-1 monoclonal antibodies to have a new drug application (NDA) accepted in China with priority review status. The indication for this NDA is r/r Hodgkin's lymphoma. PD-1/PD-L1 antibodies and other immuno-oncology drugs have revolutionized treatment of many cancers and demonstrated significant clinical benefits over chemotherapy and other therapies in many types of cancers. According to the Frost & Sullivan Report, PD-1/PD-L1 antibodies had sales of US$10.1 billion worldwide in 2017; however, in China, there are only two approved PD-1 antibodies, Bristol-Myers Squibb's Opdivo (nivolumab), which was approved by the NMPA on June 15, 2018 for the treatment of locally advanced or metastatic NSCLC after prior platinum-based chemotherapy in adult patients without EGFR or ALK genomic tumor aberration, and Merck's Keytruda (pembrolizumab), which was approved by the NMPA on July 26, 2018 for the treatment of adult patients with unresectable or metastatic melanoma following failure of one prior line of therapy; there is no PD-L1 antibody approved in China yet. We are developing sintilimab to treat multiple types of cancers and are currently conducting clinical trials with sintilimab both as a monotherapy and in combination with other therapies. In particular, part of sintilimab forms the anti-PD-1 portion of three bi-specific antibody drug candidates currently under our pre-clinical development, including IBI-318, IBI-319 and IBI-315. Besides us, several companies also have anti-PD-1/PD-L1 drug candidates with an NDA application under review by the NMPA for the first indications or otherwise in late-stage clinical development in China, including Roche's Tecentriq (atezolizumab), BeiGene's BGB-A317 (tislelizumab), Hengrui's SHR-1210 (camrelizumab), Junshi's JS-001 (toripalimab), CStone's CS1001, Alphamab/3DMed's KN035, AstraZeneca/MedImmune's Imfinzi (durvalumab) and Merck KGaA/Pfizer's Bavencio (avelumab).

Sintilimab has demonstrated an objective response rate (ORR) of 79.2% (week 24 data) and a complete response (CR) rate of 17.7% (week 15 data) in our registration clinical trial in 96 patients in China with relapsed/refractory classical Hodgkin's lymphoma and a safety and toxicity profile comparable to existing approved PD-1 antibodies. We believe that sintilimab has the potential to be a best-in-class PD-1 antibody given its biochemical and biological properties. For example, based on biochemical assays, sintilimab binds 10-fold and 50-fold more tightly to its target (referred to as high affinity) than pembrolizumab (sold under the trade name Keytruda by Merck) and nivolumab (sold under the trade name Opdivo by Bristol-Myers Squibb), respectively, and, based on *in vivo* pharmacodynamic comparison data, sintilimab also occupies more of the available PD-1 binding sites at a given drug concentration (referred to as target occupancy) than nivolumab. In our clinical trials, sintilimab demonstrated greater than 95% receptor occupancy for the full duration of a cycle of therapy at the 3 mg/kg dose level. In comparison, published data show that, at the same 3 mg/kg dose level, nivolumab had a receptor occupancy that falls within the range of approximately 75% to 80% throughout the cycle of therapy. We believe that these characteristics of sintilimab would lead to better clinical efficacy at the same or lower dosage level and at the same or lower frequency of administration in comparison with existing approved PD-1 antibodies. We will co-promote and co-brand sintilimab per the agreement with Eli Lilly in China and, subject to receipt of NMPA approval, we plan to launch sintilimab in 2019.

We are currently conducting Phase 3 clinical trials in China for three biosimilar drug candidates, all of which demonstrate significant commercial potential. The reference drug for each of them has a number of approved indications:

- **IBI-305** is an anti-VEGF monoclonal antibody and our biosimilar product candidate to bevacizumab (Avastin). Bevacizumab has been approved by the FDA for the treatment of metastatic colon cancer, lung cancers, kidney cancers, ovarian cancers and glioblastoma, and it has been approved in China for advanced relapsed/refractory NSCLC and metastatic CRC. Avastin had worldwide sales of US$6.8 billion in 2017. There is one other bevacizumab biosimilar drug candidate for which NDA has been submitted to NMPA. Besides our IBI-305, there are seven other bevacizumab biosimilar drug candidates in Phase 3 clinical trials in China.

- **IBI-301** is an anti-CD20 monoclonal antibody and our biosimilar product candidate to rituximab (MabThera/Rituxan). Since November 1997, Rituximab has been approved by the FDA for the treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis, granulomatosis with polyangiitis and pemphigus vulgaris, and since March 2000, it has been approved in China for non-Hodgkin's lymphoma. Rituxan had worldwide sales of US$7.5 billion in 2017. Besides our IBI-301, there are one rituximab biosimilar drug candidate with an NDA under review by the NMPA and two other rituximab biosimilar drug candidates in Phase 3 clinical trials in China.

- **IBI-303** is an anti-TNF-α monoclonal antibody and our biosimilar product candidate to adalimumab (Humira). Adalimumab has been approved by the FDA for the treatment of rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis, and it has been approved in China for rheumatoid arthritis, ankylosing spondylitis and psoriasis. Humira had worldwide sales of US$18.9 billion in 2017. There are two other adalimumab biosimilar drug candidates for which NDAs have been submitted to NMPA. Besides our IBI-303, there are two other adalimumab biosimilar drug candidates in Phase 3 clinical trials in China.

We expect to submit NDAs to the NMPA for IBI-305 and IBI-301 in the first quarter of 2019 and in the fourth quarter of 2019, respectively. For IBI-303, we had a pre-NDA meeting with the NMPA on September 10, 2018, and based on internal review of the clinical trial progress, we expect to submit an NDA to the NMPA in the fourth quarter of 2018.

In addition to our four core products, we have a robust pipeline of innovative monoclonal antibody drug candidates targeting diseases with largely unmet patient needs and significant total addressable markets, including bi-specific antibody products that bind to two different targets simultaneously. This pipeline includes two drug candidates that are currently in clinical development in China and being pursued under China's innovative drug registration pathway, and it also includes four drug candidates for which IND applications have been approved in China, including IBI-302:

- **IBI-306** is a fully human monoclonal antibody drug candidate that we are developing for the treatment of hyperlipidemia which is characterized by high levels of lipids in the blood. It binds to a protein known as PCSK9 and is similar to evolocumab (sold under the trade name Repatha by Amgen) and alirocumab (sold under the trade name Praluent by Sanofi). These anti-PCSK9 antibody drugs have been a significant advance in the treatment of high blood cholesterol and had aggregate worldwide sales of US$490 million in 2017. Currently Repatha (evolocumab) is the only one marketed PCSK inhibitor in China, which received the approval by the NMPA for the treatment of hypercholesterolemia in August 2018. We are conducting a Phase 1 clinical trial of IBI-306 in China.

- **IBI-310** is a fully human monoclonal antibody drug candidate that we are developing for the treatment of a variety of cancers. It binds to an immune checkpoint known as cytotoxic T-lymphocyte-associated protein 4 (CTLA-4) which down-regulates T-cell immune response to cancer cells. In addition to its potential as a monotherapy, it also can potentially be used in combination therapy with an anti-PD-1 antibody in the treatment of certain cancers. Ipilimumab, the only approved CTLA-4 antibody drug, had worldwide sales of US$1.2 billion in 2017. There are currently no CTLA-4 inhibitors approved in China. We are conducting a Phase 1 clinical trial of IBI-310 in China.

- **IBI-302** is a fully human bi-specific antibody-like drug candidate that we are developing for the treatment of ocular diseases including a type of age-related macular degeneration (AMD) called wet AMD. The current biological treatments in China for wet AMD include ranibizumab, aflibercept and conbercept. Conbercept achieved sales of RMB617 million in China in 2017. We believe that IBI-302 has the potential to be a best-in-class wet AMD therapeutic by simultaneously targeting two aspects of the disease, angiogenesis (which is the growth of blood vessels) and inflammation, while the current standard of care pharmaceuticals for wet AMD only target angiogenesis. Our IND application for IBI-302 was approved by the NMPA in December 2016. We plan to conduct a multi-center Phase 1 clinical trial of IBI-302 in China. We expect to start and complete this trial in 2019.

We also have innovative drug candidates currently in pre-clinical stage, including two mono-specific antibody drug candidates against novel targets, and five bi-specific antibody drug candidates, including an anti-CD47/PD-L1 bi-specific antibody. We expect to advance four of these pre-clinical candidates into clinical stage in the next 12 months. See the section headed "Business – Our Drug Candidates" for details.

OUR COMPETITIVE STRENGTHS

We believe our competitive strengths include:

- Fully-integrated biological therapeutics platform
- Potentially best-in-class innovative PD-1 monoclonal antibody with NDA accepted and priority review status granted by the NMPA
- Three biosimilar drug candidates in Phase 3 clinical trials in China
- Robust pipeline of innovative monoclonal antibody and bi-specific antibody drug candidates
- State-of-the-art manufacturing facilities designed to, built to and operating at international standards
- Strategic partnerships with leading global companies, such as Eli Lilly and Adimab
- Senior management with a proven track record of success, led by our co-founder, the co-inventor and developer of the first innovative fully human antibody-like drug in China

OUR STRATEGIES

Our mission is to create a world-class China-based biopharmaceutical company that develops and commercializes high quality drugs that are affordable to ordinary people. To achieve this mission, we plan to pursue the following business strategies:

- Expedite regulatory approval and commercialization of our lead product candidates
- Rapidly advance our clinical programs for pipeline products
- Continue to enhance our fully-integrated platform
- Maximize the value of our fully-integrated platform through a global strategy of organic growth and collaboration

STRATEGIC PARTNERSHIPS

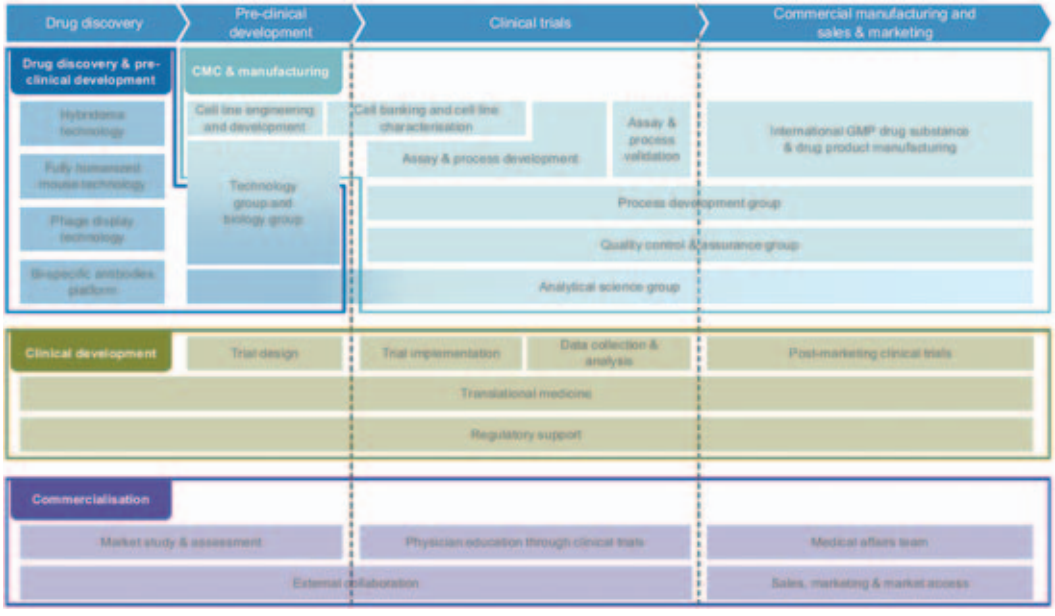
Eli Lilly has been our strategic partner since the early days of our Company. Our strategic alliance with Eli Lilly was formalized in 2015 and is comprised of licensing, co-development and co-branding arrangements in China for sintilimab (IBI-308), our PD-1 antibody, and IBI-301, our rituximab (MabThera/Rituxan) biosimilar. In addition, we and Eli Lilly have agreed to collaborate in the discovery, development and commercialization of three PD-1-based bi-specific antibodies, including IBI-318 and IBI-319. We believe that these collaboration agreements demonstrate the quality of our team and its accomplishments. We also cooperate with other strategic partners, such as Adimab, with whom we have an agreement to co-discover monoclonal antibodies. We believe we offer a strong value proposition for potential international strategic partners that include our technical knowledge, speed, flexibility and lower cost structure.

OUR PLATFORM

We have created a fully-integrated platform for the discovery, development, manufacture and commercialization of antibody drug candidates in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing the speed of development and likelihood of success while at the same time reducing the cost of development. In addition, our platform has been stress tested through the development of sintilimab and the biosimilar drugs in our pipeline by requiring each functional group to perfect their process, approach and collaboration skills.

Within the short period of time since our inception, we have successfully built up all the necessary capabilities of a fully-integrated biologics platform company. These capabilities are housed in four main functional platforms: drug discovery and pre-clinical development, CMC and manufacturing, clinical development, and commercialization. These individual functional platforms have been optimized and great attention has been given to building cross-function integration. In addition, an efficient operating system for these individual functional platforms has been built, laying a solid foundation for bringing our strong pipeline of innovative drugs from inception through manufacturing and commercialization.

The following chart illustrates the four main functions of our fully-integrated platform.



MANUFACTURING FACILITIES

We operate our manufacturing facilities on our main campus in Suzhou that are designed to comply with both Chinese and international drug manufacturing standards. From our inception, we have focused on constructing and operating manufacturing facilities that are designed to meet rigorous international good manufacturing practice (GMP) standards. We have undergone ordinary course, comprehensive annual audits of our production facility to evaluate compliance with industry GMP and quality compliance standards.

Our Manufacturing Building 1 has 21,579.52 m^2 of floor space and currently houses our first stage production facilities with three 1,000L disposable bioreactors. We expect our existing facilities to be able to support our commercial manufacturing needs for our first two products, namely sintilimab and, subject to the speed of the regulatory review process, either IBI-303 or IBI-305, through 2020. We have begun construction on our second stage production facilities, which will also be housed in Manufacturing Building 1. When completed, these facilities will be equipped with six 3,000L stainless steel bioreactors, bringing our total production capacity to 21,000L. These facilities are scheduled to go into operation in the second half of 2019 and we expect them to provide us with sufficient manufacturing capacity to support the growth of our business for at least five years. Our Manufacturing Building 2 has an additional 24,330.12 m^2 of floor space to accommodate our future growth. We plan to install four 15,000L stainless steel bioreactors in this building as and when needed.

COMMERCIALIZATION

The commercialization function of our platform encompasses marketing, sales, medical affairs and market access. We intend to commercialize sintilimab and our other drug candidates in China, if approved, with a direct sales force. We are currently building and expect to have a 250-member commercialization team by the time we receive marketing approval for sintilimab in China. We plan to double that size to a 500-member commercialization team in anticipation of the increased market demand for sintilimab and prior to the commercial launch of our first biosimilar drug candidate in China.

RAW MATERIALS AND SUPPLIERS

We develop cell lines either independently or in collaboration with third parties when we begin discovery and development on a new drug candidate. We maintain a master cell bank with separate copies in two locations and we produce working cell banks from the master cell bank. We licensed transgenic mice from third-party developers of human antibody discovery platforms, including Trianni, Inc. and Harbour Antibodies. We procure equipment for the development and manufacture of our drug candidates from industry-leading, highly reputable manufacturers and suppliers around the world. We use contract research organizations, or CROs, and consultants that manage, conduct and support our clinical trials and pre-clinical studies in China and in the United States.

PRE-IPO INVESTORS

Throughout the development of our Company, we have entered into multiple rounds of financing and entered into agreements with our Pre-IPO Investors. Our Pre-IPO investors will be subject to lock-up arrangements at the time of Listing. The Shares held by the Pre-IPO Investors subject to these lock-up arrangements represent approximately 81.73% of the issued share capital of the Company as at the date of this prospectus, and approximately 64.45% of the issued share capital of the Company immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. Under the current arrangements, all existing shareholders will be

subject to lock-up arrangements at the time of Listing. For further details regarding the key terms of these agreements and the lock-up arrangements, please see the section headed "History, Development and Corporate Structure – Pre-IPO Investments".

Our broad and diverse base of Pre-IPO Investors consists of private equity and venture capital funds and investment holding companies, some with specific focus on the healthcare industry. For further details of the identity and background of the Pre-IPO Investors, please see the section headed "History, Development and Corporate Structure – IPO Investments – 4. Information on our Pre-IPO Investors".

SUMMARY OF KEY FINANCIAL INFORMATION

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

Summary Data from Consolidated Statements of Profit or Loss

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We did not recognize any revenue from our business in 2016. We recognized RMB18.5 million and RMB4.4 million of revenue in 2017 and the six months ended June 30, 2018, respectively, all of which was generated from the license granted to a biopharmaceutical company in China in 2017 and research and development services provided to this company starting from the second half of 2017. Our other income consists of bank interest income and government grants income and the increases in our other income from 2016 to 2017 and from the first half of 2017 to the first half of 2018 were primarily attributable to more research and development activities of us that are eligible for government subsidies. Our other gains and losses consist of unrealized gains and losses related to (i) fair value changes of wealth management plans (financial assets mandatorily measured at fair value through profit and loss), (ii) fair value changes of other financial liabilities measured at fair value through profit and loss, and (iii) changes in foreign currency exchange rates. The increase in our other gains and losses from 2016 to 2017 was primarily attributable to (i) the return we received on the wealth management plans we purchased in 2017 by using a portion of the proceeds from the Series D equity financing, partially offset by (ii) the fair value adjustment we made to the outstanding convertible redeemable preferred shares and (iii) the impact of depreciation of USD on our funds that are denominated in USD. The increase of other gains and losses from the first half of 2017 to the first half of 2018 was primarily attributable to the downward adjustment on the fair value of our previous rounds of preferred shares as the Series E preferred shares issued in the first half of 2018 have liquidation preference over the preferred shares issued in previous rounds and the impact of depreciation of RMB against USD on our funds that are denominated in USD. We may incur losses for the following years and these losses are expected to increase as we continue to expand our development of, and seek regulatory approvals for, our drug candidates, and continue to build up our commercialization and sales workforce in anticipation of the NMPA's potential approval of our NDA for sintilimab.

The following table sets forth summary data from our consolidated statements of profit or loss for the period indicated.

	Six Months Ended June 30,		Year Ended December 31,	
	2018	**2017**	**2017**	**2016**
		(RMB in thousands)		
		(unaudited)		
Revenue	4,436	10,000	18,538	–
Other income	7,892	4,534	64,406	33,307
Other gains and losses	498,966	2,181	(42,079)	(81,931)
Expenses				
Research and development expenses	(420,040)	(225,386)	(611,922)	(384,653)
Administrative expenses	(73,108)	(29,152)	(79,490)	(52,875)
Business development expenses	(10,094)	(3,067)	(8,278)	(4,505)
Listing expenses	(32,740)	–	–	–
Finance costs	(32,908)	(28,388)	(57,225)	(53,799)
Total expenses and costs	(568,890)	(285,993)	(756,915)	(495,832)
Loss and total comprehensive expenses for the year/period	**(57,596)**	**(269,278)**	**(716,050)**	**(544,456)**

Summary Data from Consolidated Statements of Financial Position

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

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousands)		
Total current assets	3,837,595	1,445,755	1,870,750
Total non-current assets	1,056,179	1,011,461	945,050
Total assets	**4,893,774**	**2,457,216**	**2,815,800**
Total current liabilities	1,770,182	163,276	76,199
Total non-current liabilities	4,697,467	3,916,068	3,697,819
Total liabilities	**6,467,649**	**4,079,344**	**3,774,018**
Net current assets	**2,067,413**	**1,282,479**	**1,794,551**
Share Capital	14	8	6
Reserves	(1,573,889)	(1,942,556)	(1,383,930)
Non-controlling interests	–	320,420	425,706
(Deficiency of) total equity	**(1,573,875)**	**(1,622,128)**	**(958,218)**

As of June 30, 2018, we had bank balances of RMB1,887 million and proceeds from other financial assets of RMB960 million during the period ended June 30, 2018. We have utilized, and plan to continue to utilize, our bank balances and proceeds from other financial assets primarily for our ongoing and planned clinical trials, the preparation for registration filings and planned and potential commercial launches of our drug candidates, as well as the continued expansion of our manufacturing capacity.

Summary Data from Consolidated Cash Flow Statements

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

	Six Months Ended June 30,		Year Ended December 31,	
	2018	2017	2017	2016
		(RMB in thousands)		
		(unaudited)		
Net cash used in operating activities	(342,525)	(248,003)	(492,270)	(362,993)
Net cash from (used in) investing activities	525,053	(508,903)	(349,456)	(572,079)
Net cash from financing activities	1,119,893	91,861	89,406	1,639,605
Net increase (decrease) in cash and cash equivalents	1,302,421	(665,045)	(752,320)	704,533

Key Financial Ratios

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

	As of June 30, 2018	As of December 31, 2017	2016
Current Ratio[(1)]	2.2	8.9	24.6
Quick Ratio[(2)]	2.1	8.5	24.1
Gearing Ratio[(3)]	NM[(4)]	NM[(4)]	NM[(4)]

Notes:

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

(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%.

(4) Gearing ratio is not meaningful for our Company as our (deficiency of) total equity was negative as of December 31, 2016, December 31, 2017 and June 30, 2018.

RECENT DEVELOPMENTS

We submitted our NDA for sintilimab for the treatment of relapsed/refractory classical Hodgkin's lymphoma on April 3, 2018, which was accepted by the NMPA on April 16, 2018. We were granted priority review status on April 23, 2018. As of the Latest Practicable Date, no material adverse change has occurred with respect to the regulatory review process in relation to sintilimab.

We expect that our loss and total comprehensive expenses for the year ended December 31, 2018 will increase comparing to the year ended December 31, 2017, primarily due to the expected loss on fair value changes of our convertible redeemable preferred shares from June 30, 2018 to the Listing Date and the expected increase in research and development expenses especially on the clinical trials and development of the current pipeline candidates. While we had net cash outflow, net losses and net liabilities during the Track Record Period, we believe that the net proceeds from the Global Offering, together with our cash and cash equivalents and other financial assets of RMB2,068.5 million as of June 30, 2018, will provide us with sufficient working capital to cover at least 125% of our costs, including general administrative costs, operating costs as well as research and development costs, for at least 12 months from the date of this prospectus.

To date, we have raised approximately US$562.0 million from private equity financing through the issuance of convertible redeemable preferred shares and put options over our subsidiary's ordinary shares. We classified these financial instruments as other financial liabilities which are measured at fair value through profit and loss, or FVTPL. During the Track Record Period, the fair value changes of these financial instruments were calculated based on the valuation result of the Company with reference to the valuation reports of an independent and recognized international business valuer. Although our preferred shares will be automatically converted to Shares upon the closing of the Global Offering, to the extent we need to revalue the preferred shares prior to the closing of the Global Offering, any change in fair value of these preferred shares could materially affect our financial positions and performance. We recorded a loss on fair value changes of other financial liabilities measured at FVTPL of RMB123.2 million and RMB51.0 million for the years ended December 31, 2016 and 2017, respectively, and recorded a gain on the same of RMB448.8 million for the six months ended June 30, 2018.

On October 15, 2018, in consideration of future performance of their duties as Directors, the Company granted bonuses in the total amount of approximately RMB201.02 million to certain Directors to convert the subscription receivables for restricted shares and receivables due from them (including the related tax liabilities), subject to fulfilment of certain performance conditions. Based on the relevant terms of the Directors' respective service agreements (which reflected the relevant contractual terms of these Directors' bonus plan), the outstanding receivables (including subscription receivables) and the withholding tax resulting from the share subscriptions and the grant of these bonuses as at October 15, 2018 were converted to the bonuses paid in advance to these Directors. These Directors shall be liable to return the whole or part of the bonuses and the relevant tax paid for them if certain performance conditions are not satisfied in accordance with the relevant terms of the service agreements. Please also see note 40(d) to the Accountants' Report set out in Appendix I for further details.

Our Directors confirm that there has been no material adverse change in our financial, operational positions or prospects since June 30, 2018, being the date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I, and up to the date of this prospectus.

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 23,635,000 Offer Shares (subject to adjustment) in Hong Kong as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus; and

(ii) the International Offering of an aggregate of initially 212,715,000 Shares (subject to adjustment and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent approximately 21.1% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. If the Over-allotment Option is exercised in full, and no new Shares will be issued pursuant to the Equity Plans, and the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 23.6% of the issued share capital of our Company immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 236,350,000 new Shares are issued pursuant to the Global Offering; and (ii) 1,118,150,710 Shares are issued and outstanding following the completion of the Global Offering, taking into account of the number of unvested restricted shares and shares issued after June 30, 2018.

	Based on an Offer Price of HK$12.50	**Based on an Offer Price of HK$14.00**
Market capitalisation of our Shares[(1)]	HK$13.98 billion	HK$15.65 billion
Unaudited pro forma adjusted net tangible asset per Share[(2)]	HK$4.54 (RMB4.00)	HK$4.84 (RMB4.27)

Notes:

(1) The calculation of market capitalisation is based on 1,118,150,710 shares expected to be in issue immediately upon completion of the Global Offering, taking into account of the number of unvested restricted shares and shares issued after June 30, 2018.

(2) The unaudited pro forma adjusted net tangible asset per Share as at June 30, 2018 is calculated after making the adjustments referred to in Note 3 and Note 5 of Appendix II.

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, see the section headed "Unaudited Pro Forma Financial Information" in Appendix II.

DIVIDENDS

As of the Latest Practicable Date, we did not have a formal dividend policy. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries which are incorporated in China. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividends shall be declared or payable except out of our profits and share premium lawfully available for distribution. As advised by our legal adviser as to Cayman Islands law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our lack of profitability, subject to a solvency test and the provisions, if any, of our memorandum and articles of association. In addition, a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement to make good losses from a prior financial year. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared to be distributed in any year.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$179.3 million (including underwriting commission, assuming an Offer Price of HK$13.25 per Share, being the mid-point of the indicative Offer Price range of HK$12.50 to HK$14.00 per Share), assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2016 and 2017. In the six months ended June 30, 2018, the listing expenses charged to profit or loss were RMB32.7 million and capitalized to deferred issue costs were RMB6.3 million. After June 30, 2018, approximately HK$18.90 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$116.19 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,952.4 million after deducting underwriting commissions and other estimated expenses paid and payable by us in the Global Offering taking into account any additional discretionary incentive fee, assuming an Offer Price of HK$13.25 per Share, being the mid-point of the indicative Offer Price range of HK$12.50 to HK$14.00 per Share. We intend to use the net proceeds we will receive from this offering for the following purposes:

- 65% allocated to our four core products as follows:

  (i) 52% of net proceeds, or approximately HK$1,535.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of sintilimab. We do not plan to conduct head-to-head clinical trials for sintilimab (IBI-308) against any other approved PD-1 antibodies and no proceeds from the Global Offering will be applied for such purpose;

  (ii) 8% of net proceeds, or approximately HK$236.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-305;

  (iii) 4% of net proceeds, or approximately HK$118.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-301; and

  (iv) 1% of net proceeds, or approximately HK$29.5 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-303.

- 25% of net proceeds, or approximately HK$738.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in our pipeline.

- 10% of net proceeds, or approximately HK$295.2 million, for working capital and general corporate purposes.

See the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for details.

We received an aggregate of US$412 million of proceeds from our various rounds of equity financing during 2011 to 2017, of which approximately 35% has been utilized as of December 31, 2017, and we received US$150 million of proceeds from our Series E equity financing in 2018. We have utilized, and plan to continue to utilize the proceeds from these equity financing for (a) our research and development efforts, including our ongoing or planned clinical trials, preparation of registration filings and planned commercial launches of sintilimab, IBI-305, IBI-301 and IBI-303, (b) our pre-clinical and clinical development, regulatory filing and registration and potential commercial launches for our other drug candidates; (c) establishment and expansion of manufacturing facilities, and (d) working capital and other general corporate purposes.

RISK FACTORS

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

- The price and trading volume of our Shares could be volatile, which may lead to substantial losses to investors.
- We have incurred significant net losses since our inception and anticipate that we will continue to incur net losses for the foreseeable future and may never become profitable.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.
- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development, and our ability to identify additional drug candidates. If we are unable to successfully identify new drug candidates, complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.
- Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials and non-head-to-head analyses (e.g., comparisons with competing drugs based on their publicly available study and trial data) may not be predictive of future trial results.
- We have no experience in launching and marketing drug candidates. If we are unable to further develop marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to generate product sales revenue.
- We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.
- If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and complete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.
- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.
- Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

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

"Adimab"	Adimab, LLC, a company registered in Delaware, the United States, located at 7 Lucent Drive, Lebanon, NH 03766
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Ally Bridge"	Ally Bridge LB – Sunshine Limited (formerly known as "ABLB-Beauty Limited"), a business company incorporated under the laws of the British Virgin Islands on September 7, 2015 and one of our Pre-IPO Investors
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the thirteenth amended and restated articles of association of the Company adopted on October 15, 2018 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix III – Summary of the Constitution of the Company and Cayman Companies Law"
"Asia Ventures"	Asia Ventures II L.P., a limited partnership established under the laws of Bermuda and one of our Pre-IPO Investors
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beacon Bioventures" or "F-Prime Capital"	F-Prime Capital Partners Healthcare Fund II LP (formerly "Beacon Bioventures Fund II Limited Partnership"), a limited partnership established under the laws of Delaware, U.S. and one of our Pre-IPO Investors

"Beijing Jun Lian"	Beijing Jun Lian Yi Kang Equity Investment Partnership (Limited Partnership) (北京君聯益康股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 23, 2015 and one of our Pre-IPO Investors
"Board"	the board of Directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"Capital Group Private Markets"	Seacliff (Cayman) Ltd. and Dwyer (Cayman) Ltd.
"Category 1"	the category 1 under the registration category for therapeutic biological products as provided in Annex 3 to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), which refer to biological products that have not been marketed anywhere in the world
"Category 2"	the category 2 under the registration category for therapeutic biological products as provided in Annex 3 to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), which refer to monoclonal antibody
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
"Cayman Registrar"	the Registrar of Companies of the Cayman Islands
"CBC"	CBC SPVIII Limited, a company incorporated under the laws of Hong Kong on October 23, 2014 and one of our Pre-IPO Investors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Cheng Yu Investments"	Cheng Yu Investments Limited, a business company incorporated under the laws of the British Virgin Islands and one of our Pre-IPO Investors
"China" or "PRC"	the People's Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"China Life"	China Life Chengda (Shanghai) Healthcare Industry Equity Investment Center (Limited Partnership) (國壽成達(上海)健康產業股權投資中心(有限合夥)), a limited partnership established under the laws of the PRC on November 11, 2016 and one of our Pre-IPO Investors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Innovent Biologics, Inc. (信達生物製藥), an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 28, 2011
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Cormorant Global Healthcare"	Cormorant Global Healthcare Master Fund, LP, an exempted limited partnership registered under the laws of Cayman Islands on April 2, 2013 and one of our Pre-IPO Investors

"Cormorant Private Healthcare"	Cormorant Private Healthcare Fund I, LP, a limited partnership incorporated under the laws of Delaware, US on October 14, 2015 and one of our Pre-IPO Investors
"Cowin China"	Cowin China Growth Fund I, L.P., an exempted limited partnership registered under the laws of the Cayman Islands on November 23, 2012 and one of our Pre-IPO Investors
"CRF Investment"	CRF Investment Holdings Company Limited, an exempted limited liability company incorporated under the laws of the Cayman Islands on November 14, 2017 and one of our Pre-IPO Investors
"CRMA"	CRMA SPV, L.P., an exempted limited partnership registered under the laws of the Cayman Islands on October 6, 2015 and one of our Pre-IPO Investors
"CRO"	Contract research organization
"CSRC"	China Securities Regulatory Commission
"CSVC"	China-Singapore Suzhou Industrial Park Ventures Co., Ltd. (中新蘇州工業園區創業投資有限公司), a company incorporated under the laws of the PRC on November 28, 2001 and one of our Pre-IPO Investors
"Director(s)"	the director(s) of the Company
"EGFR"	epidermal growth factor receptor
"Eli Lilly"	Eli Lilly and Company, a U.S.A. company, organized and existing under the laws of the State of Indiana on January 17, 1901, having a place of business at Lilly Corporate Center, Indianapolis, Indiana 46285
"EMA"	European Medicines Agency
"Equity Plans"	the Pre-IPO Share Incentive Plan, the Post-IPO ESOP and the RS Plan
"Existing Articles"	the twelfth amended and restated memorandum and articles of association of the Company adopted by special resolution of the shareholders effective on June 1, 2018

"Foreign Investment Law"	the Draft Foreign Investment Law (中華人民共和國外國投資法) published by the MOFCOM in January 2015
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company that provides market survey and consulting services
"Frost & Sullivan Report"	an industry report prepared by Frost & Sullivan on the worldwide biologics market, which was commissioned by us
"Future Industry"	Future Industry Investment Fund LP (先進製造產業投資基金(有限合夥)), a limited partnership established under the laws of the PRC on May 11, 2015 and one of our Pre-IPO Investors
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"Highsino"	Highsino Group Limited, a business company incorporated under the laws of the British Virgin Islands and one of our Pre-IPO Investors
"Hillhouse INOV"	Hillhouse INOV Holdings Limited, a business company incorporated under the laws of the British Virgin Islands and one of our Pre-IPO Investors
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominee"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 23,635,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong 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 October 16, 2018 relating to the Hong Kong Public Offering entered into among, inter alia, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and the Company, as further described in the section headed "Underwriting"
"Hua Yuan"	Hua Yuan International Limited, a company incorporated under the laws of Hong Kong on September 26, 2006 and a wholly-owned subsidiary of CSVC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

"Independent Third Party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"Innovent HK"	Innovent Biologics (HK) Limited, a company incorporated under the laws of Hong Kong on May 17, 2011 and one of the Company's principal subsidiaries
"Innovent Suzhou"	Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司), a company established under the laws of the PRC on August 24, 2011 and one of the Company's principal subsidiaries
"Innovent Technology"	Suzhou Innovent Biotechnology Co., Ltd. (蘇州信達生物科技有限公司), a company incorporated under the laws of the PRC on July 8, 2013
"International Offering"	the conditional placing of the International Offering Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering"
"International Offering Shares"	the 212,715,000 Shares being initially offered for subscription at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under the section headed "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, the Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting"

"Investors' Rights Agreement"	the eighth amended and restated investors' rights agreements entered into on June 1, 2018 by and among the Company, F-Prime Capital, Asia Ventures, Suzhou Industrial Park, Lilly Asia, Hua Yuan, Suzhou Frontline, Life Sciences, LC Fund, LC Parallel Fund, Cheng Yu Investments, TLS Beta, LAV Opus Limited, LAV Orion Limited, LAV Agility Limited, Hillhouse INOV, Cowin China, CBC, Future Industry Investment (BVI) Co., Limited, Pingan Inno Limited, Easy Swift Limited, Shanghai Sa Wang, LC Healthcare, Highsino, Shanghai Pengfang Health Consultation Co., Ltd., Shanghai Chiyi, Xiangan Inno Limited, China Life, Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., Taikang AMC HK, Cormorant Private Healthcare, Cormorant Global Healthcare, CMRA, Rock Springs, CRF Investment and Ally Bridge
"JCO"	Journal of Clinical Oncology
"Jiaxing Xiang'an"	Jiaxing Xiang'an Equity Investment Fund Partnership (Limited Partnership) (嘉興祥安股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 19, 2016 and one of our Pre-IPO Investors
"Joint Bookrunners"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering) and Morgan Stanley & Co. International plc (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), China Merchants Securities (HK) Co., Limited, Huatai Financial Holdings (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited, China Merchants Securities (HK) Co., Limited and Huatai Financial Holdings (Hong Kong) Limited

"Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering) and Morgan Stanley & Co. International plc (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc (in relation to International Offering), J.P. Morgan Securities (Asia Pacific) Limited (in relation to Hong Kong Public Offering), China Merchants Securities (HK) Co., Limited, Huatai Financial Holdings (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited
"Joint Sponsors"	Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited and China Merchants Securities (HK) Co., Limited
"Latest Practicable Date"	October 9, 2018, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"LAV Agility"	LAV Agility Limited, a business limited liability company incorporated under the laws of the British Virgin Islands and one of our Pre-IPO Investors
"LAV Opus"	LAV Opus Limited, a business limited liability company incorporated under the laws of the British Virgin Islands and one of our Pre-IPO Investors
"LAV Orion"	LAV Orion Limited, a business limited liability company incorporated under the laws of the British Virgin Islands and one of our Pre-IPO Investors
"LC Fund"	LC Fund VI, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands and one of our Pre-IPO Investors
"LC Healthcare"	LC Healthcare Fund I, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands and one of our Pre-IPO Investors
"LC Parallel Fund"	LC Parallel Fund VI, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands and one of our Pre-IPO Investors

"Life Sciences"	China Life Sciences Access Fund, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands and one of our Pre-IPO Investors
"Lilly Asia"	Lilly Asia Ventures Fund II, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands and one of our Pre-IPO Investors
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on October 31, 2018, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the thirteenth amended and restated memorandum of association of the Company adopted with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix III – Summary of the Constitution of the Company and Cayman Companies Law"
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NMPA"	China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局)

"Offer Price"	the final price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$14.00 and expected to be not less than HK$12.50, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offering Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offering Shares together, where relevant, with any additional Shares to be issued by the Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by the Company to the Joint Global Coordinators under the International Underwriting Agreement pursuant to which the Company may be required by the Joint Global Coordinators to issue up to 35,452,000 additional Offer Shares, representing not more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover overallocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PCT"	the Patent Cooperation Treaty
"Post-IPO ESOP"	the post-IPO share option scheme adopted by the Company on June 12, 2018, the principal terms of which are set out in the section headed "Statutory and General Information – Equity Plans – Post-IPO ESOP" in Appendix IV
"PRC Legal Adviser"	Han Kun Law Offices
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in the Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Development and Corporate Structure"

"Pre-IPO Investor(s)"	F-Prime Capital, Asia Ventures, Suzhou Industrial Park, Lilly Asia, CSVC, Hua Yuan (wholly-owned by CSVC), Suzhou Frontline, Life Sciences, LC Fund, LC Parallel Fund, Cheng Yu Investments, TLS Beta, LAV Opus, LAV Orion, LAV Agility, Hillhouse INOV, Cowin China, CBC, Future Industry, Future Industry Investment (BVI) Co., Limited (wholly-owned by Future Industry), Shenzhen Ping'an, Pingan Inno Limited (wholly-owned by Shenzhen Ping'an), Beijing Jun Lian, Easy Swift Limited (wholly-owned by Beijing Junlian), Shanghai Sa Wang, LC Healthcare, Highsino, Taikang, Shanghai Pengfang Health Consultation Co., Ltd. (wholly-owned by Taikang), Shanghai Chiyi, Jiaxing Xiang'an, Xiangan Inno Limited (wholly-owned by Jiaxing Xiang'an), China Life, Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., Taikang AMC HK, Cormorant Private Healthcare, Cormorant Global Healthcare, CRMA, Rock Springs, CRF Investment and Ally Bridge
"Pre-IPO Share Incentive Plan"	the pre-IPO share incentive plan adopted by the Company on May 10, 2012 as amended from time to time, the principal terms of which are set out in the section headed "Statutory and General Information – Equity Plans – Pre-IPO Share Incentive Plan" in Appendix IV
"Price Determination Date"	the date, expected to be on or about Tuesday, October 23, 2018 (Hong Kong time) and in any event no later than Tuesday, October 30, 2018, on which the Offer Price is to be fixed by an agreement between the Company and the Joint Global Coordinators (on behalf of the Underwriters)
"Principal Share Registrar"	Maples Fund Services (Cayman) Limited
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act

"Right of First Refusal and Co-Sale Agreement"	the ninth amended and restated right of first refusal and co-sale agreement entered into on June 1, 2018 by and among the Company, LC Fund, LC Parallel Fund, Cheng Yu Investments, LC Healthcare, Highsino, TLS Beta, Hillhouse INOV, Cowin China, F-Prime Capital, Asia Ventures, Lilly Asia, LAV Opus Limited, LAV Agility Limited, Life Sciences, Suzhou Industrial Park, Suzhou Frontline, Hua Yuan, Future Industry, Pingan Inno Limited, Easy Swift Limited, CBC, Shanghai Sa Wang, China Life, Shanghai Pengfang, Shanghai Chiyi, Xiangan Inno Limited, Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., Scott Matthew Wheelwright, Zheng Jia, De-Chao Michael Yu, Charles Leland Cooney, Taikang AMC HK, Cormorant Private Healthcare, Cormorant Global Healthcare, CMRA, Rock Springs, CRF Investment and Ally Bridge
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Rock Springs"	Rock Springs Capital Master Fund LP, an exempted limited partnership registered under the Exempted Limited Partnership Law (as amended) of the Cayman Islands on July 25, 2013 and one of our Pre-IPO Investors
"RS Plan"	the restricted share plan adopted by the Company on October 15, 2018, the principal terms of which are set out in the section headed "Statutory and General Information – Equity Plans – RS Plan" in Appendix IV
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC
"SEC"	the Securities and Exchange Commission of the United States
"Series A Preferred Shareholders"	the holder of the Series A Preferred Shares

"Series A Preferred Shares"	the series A convertible redeemable preferred shares of the Company with a current par value of US$0.00001 per share which are in issue and held by the Series A Preferred Shares Shareholders pursuant to the Round 2 Cayman Investment, details of which are described in the section headed "History, Development and Corporate Structure"
"Series B Preferred Shareholders"	the holder of the Series B Preferred Shares
"Series B Preferred Shares"	the series B convertible redeemable preferred shares of the Company with a current par value of US$0.00001 per share which are in issue and held by the Series B Preferred Shares Shareholders pursuant to the Round 4 Cayman Investment, Round 5 Cayman Investment and Round 7 Cayman Investment, details of which are described in the section headed "History, Development and Corporate Structure"
"Series C Preferred Shareholders"	the holder of the Series C Preferred Shares
"Series C Preferred Shares"	the series C convertible redeemable preferred shares of the Company with a current par value of US$0.00001 per share which are in issue and held by the Series C Preferred Shares Shareholders pursuant to the Round 6 Cayman Investment and Round 8 Cayman Investment, details of which are described in the section headed "History, Development and Corporate Structure"
"Series D Preferred Shareholders"	the holder of the Series D Preferred Shares
"Series D Preferred Shares"	the series D convertible redeemable preferred shares of the Company with a current par value of US$0.00001 per share which are in issue and held by the Series D Preferred Shares Shareholders pursuant to the Round 9 Cayman Investment, details of which are described in the section headed "History, Development and Corporate Structure"
"Series E Preferred Shareholders"	the holder of the Series E Preferred Shares

"Series E Preferred Shares"	the series E convertible redeemable preferred shares of the Company with a current par value of US$0.00001 per share which are in issue and held by the Series E Preferred Shares Shareholders pursuant to the Round 10 Cayman Investment and Round 11 Cayman Investment, details of which are described in the section headed "History, Development and Corporate Structure"
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Chiyi"	Shanghai Chiyi Investment Management Centre (Limited Partnership) (上海赤易投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on December 3, 2015 and one of our Pre-IPO Investors
"Shanghai Sa Wang"	Shanghai Sa Wang Investment Center (Limited Partnership) (上海薩旺投資中心(有限合夥)), a limited liability incorporated under the laws of the PRC on March 14, 2016 and one of our Pre-IPO Investors
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shenzhen Ping'an"	Shenzhen Ping'an Healthcare & Technology Equity Investment Partnership (Limited Partnership) (深圳市平安健康科技股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 9, 2015 and one of our Pre-IPO Investors
"Stabilization Manager"	Morgan Stanley Asia Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilization Manager and Dr. De-Chao Michael Yu, pursuant to which Dr. De-Chao Michael Yu will agree to lend up to 35,452,000 Shares to the Stabilization Manager on terms set forth therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Suzhou Frontline"	Suzhou Frontline Bioventures Venture Capital Investment Partnership (LP) (蘇州通和創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 12, 2012 and one of our Pre-IPO Investors
"Suzhou Industrial Park"	Suzhou Industrial Park Biotech Development Co., Ltd, (蘇州工業園區生物產業發展有限公司), a company incorporated under the laws of the PRC on October 17, 2005 and one of our Pre-IPO Investors
"Taikang"	Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司), a company incorporated under the laws of the PRC on November 28, 2016 and one of our Pre-IPO Investors
"Taikang AMC HK"	Taikang Asset Management (Hong Kong) Company Limited, a company incorporated under the laws of Hong Kong on November 9, 2007 and one of our Pre-IPO Investors
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TLS Beta"	TLS BETA PTE. LTD., a company incorporated under the laws of Singapore on January 7, 2005 and one of our Pre-IPO Investors
"Track Record Period"	the two financial years ended December 31, 2016 and 2017 and the six months ended June 30, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States

"US FDA" or "FDA"	the U.S. Food & Drug Administration of the U.S. Department of Health and Human Services
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**WHITE** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of **White Form eIPO** Service Provider, **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

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

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

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

"active pharmaceutical ingredient"	the substance in a pharmaceutical drug that is biologically active
"ADCC"	antibody-dependent cellular cytotoxicity
"AE"	adverse event, any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which does not necessarily have a causal relationship with the treatment
"ALK"	anaplastic lymphoma kinase
"AMD"	age-related macular degeneration
"angiogenesis"	the growth of blood vessels
"ankylosing spondylitis"	a form of arthritis that primarily affects the spine, although other joints can become involved. It causes inflammation of the spinal joints (vertebrae) that can lead to severe, chronic pain and discomfort. In more advanced cases this inflammation can lead to ankylosis-new bone formation in the spine-causing sections of the spine to fuse in a fixed, immobile position
"apoptosis"	programmed cell death
"assay"	an analysis done to determine (1) the presence of a substance and the amount of that substance and (2) the biological or pharmacological potency of a drug
"AUC"	the area under the curve, a measure of how much of a drug is in a patient's system over a given time period. In order to calculate the AUC, both the $AUC_{0\text{-}t}$ and the $AUC_{0\text{-}inf}$ must be calculated
"$AUC_{0\text{-}inf}$"	area under the concentration-time curve from the first time point measured (0) extrapolated to infinity (inf)

"AUC_{0-t}"	area under the concentration-time curve from the first time point measured (0) to the last time point measured (t)
"auto-immunology"	the branch of immunology that studies the misdirected immune response that occurs when the immune system goes awry and attacks the body itself. Autoimmunity is present to some extent in everyone and is usually harmless. However, autoimmunity can cause a broad range of human illnesses, known collectively as autoimmune diseases
"B cell"	a type of white blood cell that differs from other types of lymphocytes by expressing B cell receptors on its surface, and responsible for producing antibodies
"bioequivalence"	the absence of a significant difference in the rate and extent to which the active ingredient or active molecular portion in pharmaceutical equivalents or pharmaceutical alternatives becomes available at the site of drug action when administered
"bioequivalents"	drugs having the equivalent bioavailability, i.e. the equivalent rates and extents of absorption of parent drugs or active metabolites from a dosage form into the systemic circulation.
"binding kinetics"	the time in which a drug and its target associate and dissociate
"biosimilars"	biological drugs which are designed to have the same amino acid sequence and the equivalent (but not identical or clinical better) active properties as compared to, and which are not necessarily clinically interchangeable with, reference originator drugs that have already received marketing approvals, not to be confused with such other terms as "biobetters" (which are clinically better than reference originator drugs), "biogenerics" (which are clinically interchangeable with reference originator drugs) or "follow-on biologics" (which may or may not include biosimilars) even though these terms are used interchangeably under certain regulatory regimes and in certain contexts

"bi-specific"	antibody that combines two antigen-recognizing elements into a single construct, able to bind to two different antigens at the same time
"BLA"	biologic license application
"C3a"	a part of the complement protein known as complement component 3
"carcinoma"	a cancer that begins in the lining layer (epithelial cells) of organs
"CD8"	a transmembrane glycoprotein that serves as a co-receptor for the T-cell receptor
"CD8/T_{reg}"	a proximate measure of blockade of PD-1 action in tumors, which is the ratio of cytotoxic T lymphocytes (CD8) to T_{reg} lymphocytes. An increase in the CD8/T_{reg} ratio is a beneficial change in the immune status within the tumors
"CD20"	a cell surface protein widely expressed on immune system B cells
"CD47"	cluster of differentiation 47, also known as integrin associated protein (IAP), a membrane protein which provides a "do not eat me" signal to macrophages
"CD155"	a transmembrane glycoprotein in the immunoglobulin superfamily
"CDC"	complement-dependent cytotoxicity
"cell line"	a population of cells which descend from a single cell and contain the same genetic makeup, thereby producing the same proteins. The productivity of a cell line determines the cost of manufacturing and the quality of a cell line is directly related to the quality of the relevant biologics
"cellular lysis"	technique used in laboratories to break open cells and purify or further study their contents. Lysis refers to the breaking down of the membrane of a cell, often by viral, enzymic, or osmotic mechanisms that compromise its integrity

"cGMP"	current good manufacturing practice
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"chronic lymphocytic leukemia"	a type of cancer of the blood and bone marrow – the spongy tissue inside bones where blood cells are made. The term "chronic" in chronic lymphocytic leukemia comes from the fact that it typically progresses more slowly than other types of leukemia
"CID"	complement inhibitor domain
"cisplatin"	a class of chemotherapy medication used to treat a number of cancers
"C_{max}"	maximum measured serum concentration
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CNV"	Choroidal neovascularization, a non-specific response to specific damage of Bruch's membrane (the middle layer of the retina) and is the pathobiology behind wet and dry AMD
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"colorectal cancer," "colon cancer" or "CRC"	a cancer of the colon or rectum, located at the digestive tract's lower end
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"complement proteins"	part of the innate immune system that can be recruited and brought into action by antibodies generated by the adaptive immune system.
"CR"	complete response or complete response rate

"CR1"	complement receptor 1
"CT"	computerized tomography
"CTLA-4"	a cytotoxic T-lymphocyte-associated protein 4, which down-regulates T-cell immune response to cancer cells
"cytokine"	a broad and loose category of small proteins that are important in cell signalling. Their release has an effect on the behaviour of cells around them
"cytotoxic"	toxic to living cells
"DCR"	disease control rate
"DLBCL"	diffuse large B cell lymphoma
"DNA"	Deoxyribonucleic acid
"docetaxel"	a chemotherapy medication used to treat a number of types of cancer, including breast cancer, head and neck cancer, stomach cancer, prostate cancer and NSCLC
"electrochemiluminescence"	electrogenerated chemiluminescence, a process whereby a kind of luminescence is produced during electrochemical reactions in solutions
"endometrial carcinoma"	uterine cancer, which is a type of cancer that begins in the lining of the womb (uterus)
"endoproteinase Lys-C"	a protease that cleaves proteins on the C-terminal side of lysine residues. This enzyme is naturally found in the bacterium Lysobacter enzymogenes and is commonly used in protein sequencing
"endothelial cells"	a thin layer of simple, or single-layered, squamous cells that line the interior surface of blood vessels and lymphatic vessels, forming an interface between circulating blood or lymph in the lumen and the rest of the vessel wall
"ENKTL"	extranodal NK/T-cell lymphoma

"erythrocytes"	red blood cells that (in humans) are typically biconcave discs without nuclei. Erythrocytes contain the pigment hemoglobin, which imparts the red color to blood, and transport oxygen and carbon dioxide to and from the tissues
"ESCC"	esophageal squamous cell carcinoma
"Fc region"	fragment crystallisable region, which is the tail region of an antibody that interacts with cell surface receptors called Fc receptors and some proteins of the complement system
"first-line"	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of cancer. It is also called primary treatment or therapy
"flow cytometry"	a laser- or impedance-based, biophysical technology employed in cell counting, cell sorting, biomarker detection and protein engineering, by suspending cells in a stream of fluid and passing them through an electronic detection apparatus
"GCP"	good clinical practice
"gemcitabine"	chemotherapy medication used to treat a number of types of cancer
"glioblastoma"	tumors that arise from astrocytes – the star-shaped cells that make up the "glue-like," or supportive tissue of the brain
"GMP"	good manufacturing practice
"Grade"	term used to refer to the severity of adverse events, using Grade 1, Grade 2, Grade 3, etc.
"granulomatosis with polyangiitis"	also called Wegener's granulomatosis, a condition that causes inflammation of the blood vessels and can affect the ears, nose, throat, lungs, and kidneys

"Hatch-Waxman Act"	the Drug Price Competition and Patent Term Restoration Act, informally known as the Hatch-Waxman Act, which is a 1984 U.S. federal law
"HER2"	human epidermal growth factor receptor 2
"Hodgkin's lymphoma"	a type of lymphoma
"hybridoma technology"	a method for producing large numbers of monoclonal antibodies. The myeloma cell line that is used in this process is selected for its ability to grow in tissue culture and for an absence of antibody synthesis
"human xenografts"	models, derived from human tumor cell lines, used for pre-clinical assessment of anti-cancer drug development by evaluating and comparing the therapeutic efficacy and toxicity of an antibody versus a competitor in changing the types of tumor infiltrating T lymphocytes
"hypercholesterolemia"	an excess of cholesterol in the bloodstream
"hyperlipidemia"	an abnormally high concentration of fats or lipids, including cholesterol and triglycerides, circulating in the blood
"ICH"	The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use
"idiopathic thrombocytopenic purpura"	low levels of the blood cells that prevent bleeding (platelets), which may occur when the immune system mistakenly attacks platelets
"IFN-γ"	type II interferon, which is a cytokine that is critical for innate and adaptive immunity against viral, some bacterial infections and protozoal infections (infections caused by parasites)
"IL-2"	Interleukin-2 (IL-2), which is an interleukin, a type of cytokine signalling molecule in the immune system. It is a protein that regulates the activities of white blood cells that are responsible for immunity

"immunogenicity"	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal (i.e., the ability to induce humoral and/or cell-mediated immune responses)
"immunoglobulin"	A protein that is made by B cells and plasma cells (types of white blood cells). Some immunoglobulins may be found in higher than normal amounts in patients with certain conditions or certain types of cancer, including multiple myeloma and Waldenstrom macroglobulinemia. Measuring the amount of specific immunoglobulins in the blood and urine may help diagnose cancer or find out how well treatment is working or if cancer has come back. Some immunoglobulins may be used as tumor markers. Also called Ig.
"immuno-oncology"	a type of immunotherapy that is specifically targeted to fight cancer
"immunotherapy"	use of the immune system to treat disease
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"LAG-3"	lymphocyte-activation gene 3, which is an immune checkpoint receptor protein found on the cell surface of effector T cells, NK cells, B cells and plasmacytoid dendritic cells
"LC-MS/MS"	liquid chromatography-mass spectroscopy/mass spectroscopy
"LDL"	Low-density lipoprotein, one of the five major groups of lipoprotein which transport all fat molecules around the body in the extracellular water
"LDL-C"	low-density lipoprotein cholesterol
"LDL-R"	low-density lipoprotein receptor
"lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells

"Lys-C peptide mapping"	an analytical method used within the biopharmaceutical industry, by using endoproteinase Lys-C, to aid in the identity confirmation of a protein therapeutic and to monitor degradative events, such as oxidation or deamidation
"lytic bone lesions"	destruction of an area of bone due to a disease process, such as cancer
"MabThera"	tradename for rituximab
"MAC"	membrane attack complex
"'march-in' right"	the right of the U.S. federal government to grant to entities other than the holder of a patent licenses or to take a license for itself if the U.S. federal government funded the development of such patent
"MHC"	major histocompatibility complex
"MHC class II"	with respect to an antigen, the major histocompatibility complex class II
"melanoma"	a form of skin cancer that arises when pigment-producing cells – known as melanocytes – mutate and become cancerous
"Merkel cell carcinoma"	a rare type of skin cancer that usually appears as a flesh-colored or bluish-red nodule, often on a person's face, head or neck. It is also called neuroendocrine carcinoma of the skin
"metastatic"	in reference to any disease, including cancer, disease-producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"monoclonal antibodies" or "mAbs"	antibodies generated by identical immune cells that are all clones of the same parent cell
"mono-specific"	in reference to antibodies, are those whose specificity to antigens is singular in any of several ways: antibodies that all have affinity for the same antigen; antibodies that are specific to one antigen or one epitope; or antibodies specific to one type of cell or tissue.

"monotherapy"	therapy that uses a single drug to treat a disease or condition.
"Mouse CNV model"	Mouse Choroidal Neovascularization model, used in studies of wet AMD
"myasthenia gravis"	a weakness and rapid fatigue of muscles under voluntary control
"NCCR"	National Central Cancer Registry of China
"NDA"	new drug application
"NK cells"	natural killer cells, a type of cytotoxic lymphocyte
"NK/T cell lymphoma"	a type of lymphoma that occurs commonly in the nasal and upper aerodigestive region
"non-Hodgkin's lymphoma"	a type of lymphoma
"non-squamous NSCLC"	non-squamous non-small cell lung cancer
"NSCLC"	non-small cell lung cancer
"off-rate"	the rate at which the antibody releases an antigen
"on-rate"	the rate at which the antibody binds to an antigen
"ORR"	objective response rate
"OX40"	surface receptor expressed on T cells following stimulation by foreign antigens and provides a survival signal to antigen specific T cells
"PBMCs"	peripheral blood mononuclear cells
"PBS"	phosphate buffered saline
"PCSK9"	proprotein convertase substilisin/kexin type 9 enzyme

"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"PD-L2"	PD-1 ligand 2, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"pemphigus vulgaris"	a rare autoimmune disease that causes painful blistering on the skin and mucous membranes
"PET"	positron emission tomography, a nuclear medicine functional imaging technique
"phagocyting"/"phagocytosis"	the process by which a cell – often a phagocyte or a protist – engulfs a solid particle to form an internal compartment known as a phagosome. Phagocytes are particle eating cells and protists are microscopic organisms that have cells with nuclei and are not animal, plant or fungi
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug

"plasmacytoid dendritic cells"	a rare type of immune cell that are known to secrete large quantities of type 1 interferon (IFNs) in response to a viral infection. They circulate in the blood and are found in peripheral lymphoid organs
"PR"	partial response or partial response rate
"pre-clinical study(ies)"	pre-clinical studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"progression free survival" or "PFS"	the length of time during and after the treatment of a disease, such as cancer, that a patient lives with the disease but it does not get worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
"psoriasis"	a condition in which skin cells build up and form scales and itchy, dry patches
"psoriatic arthritis"	a form of arthritis that affects some people who have the skin condition psoriasis. Symptoms include joint pain, stiffness, and swelling, which may flare and subside. Many people with the condition are affected by morning stiffness. Even mild skin psoriasis can have a significant degree of arthritis
"Q2W"	every two weeks
"Q3W"	every three weeks
"RA"	rheumatoid arthritis
"RANKL"	Receptor activator of nuclear factor kappa-B ligand
"receptor occupancy" or "RO"	the binding of PD-1 antibodies to PD-1, which is a measure of the fraction of PD-1 that is blocked on the surface of T lymphocytes. By repeatedly measuring the receptor occupancy over time, the duration of receptor blockade can be directly observed. A higher fraction of occupied receptor for a longer period of time could result in better clinical efficacy

"reference drugs" or "reference products"	a standardized substance or approved drug which is used as a measurement base for biosimilar drug candidates
"refractory"	when used in reference to any type of cancer, cancer that does not respond to treatment. The cancer may be resistant at the beginning of treatment or it may become resistant during treatment
"relapsed"	when used in reference to any disease, including cancer, the return of a disease or the signs and symptoms of a disease after a period of improvement. With respect to cancer, the likely relapse occurs because a few of the original cancer cells survived the initial treatment. Sometimes, this is because cancer cells spread to other parts of the body and were too small to be detected during the follow-up immediately after treatment
"renal cell cancer" or "renal cell carcinoma"	kidney cancer, the symptoms for which may include blood in the urine (hematuria), low back pain on one side (not caused by injury), a mass (lump) on the side or lower back, fatigue (tiredness), loss of appetite, weight loss not caused by dieting, and/or a fever that is not caused by an infection and that doesn't go away
"r/r"	relapsed/refactory
"SC"	Subcutaneous
"sCR1"	soluble complement receptor type 1
"SD"	stable disease. In oncology, it refers to cancer that is neither decreasing nor increasing in extent or severity

"second-line"	with respect to any disease, such as "second-line squamous NSCLC," "second-line NSCLC" and "second-line melanoma," the therapy or therapies that are tried when the first-line treatments do not work adequately. The management of a cancer case requires regular evaluation of treatment and adjustment as needed. A break with the primary treatment and an adoption of a new regimen signals "second-line treatment." The first-line therapy may not have worked, may have had some limited efficacy, or may have produced unacceptable side effects, damaged organs in the body, or jeopardized the patient's life. Sometimes first-line therapies show progress for a period of time followed by a stalling or continued growth of the cancer. Often the FDA, the NMPA or other drug regulatory authority will specifically approve a new drug for second-line therapy. This labeling is common for new drugs that treat cancers which already have accepted treatments.
"serious adverse events" or "SAEs"	any untoward medical occurrence in a patient during clinical trials that results in death, is life-threatening, requires inpatient hospitalisation or prolongation of existing hospitalisation, results in persistent or significant disability/incapacity, or is a congenital anomaly/birth defect
"SIRPα"	signal regulatory protein α, a regulatory membrane glycoprotein from SIRP family expressed mainly by myeloid cells and also by stem cells or neurons.
"solid tumor"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them. Examples of solid tumors are sarcomas, carcinomas, and lymphomas
"spongioblastoma"	a fast-growing malignant brain tumor composed of spongioblasts, embryonic epithelial cells that develop around the neural tube and transform into cells of the supporting connective tissue of nerve cells or cells of lining membranes of the ventricles and the spinal cord canal. It is nearly always fatal

"squamous NSCLC"	a type of non-small cell lung cancer, which begins in squamous cells
"standard-of-care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals. Also called best practice, standard medical care, and standard therapy
"superiority trial"	a clinical trial designed to prove that the response to the investigational product is superior to a comparable active agent or placebo control
"$t_{1/2}$"	the time required for the concentration to fall to 50% of its peak value
"target occupancy"	based on in vivo pharmacodynamics comparison data, the ability of an antibody to occupy more of the available binding sites at a given drug concentration
"T cell" or "T lymphocyte"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface
"TEAE" or "treatment emergent adverse events"	adverse events not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
"TIGIT"	a receptor expressed on the surface of T cells and NK cells that can drive inhibition of immune function after binding to CD155 expressed on cancer cells or dendritic cells. TIGIT is a checkpoint inhibitor protein expressed on tumor antigen specific T cells and is associated with turning off anti-tumor T cells
"TNF-α"	a protein called tumor necrosis factor-α that stimulates the inflammatory response in the body

"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response
"TRAE"	treatment related adverse events, which are adverse events present after medical treatment
"T_{reg} lymphocytes" or "Tregs"	regulatory T cells, which are a subpopulation of T cells that modulate the immune system, maintain tolerance to self-antigens, and prevent autoimmune disease
"TSH"	thyrotropin, which is a hormone secreted by the pituitary gland that regulates the production of thyroid hormones
"ulcerative colitis"	A chronic, inflammatory bowel disease that causes inflammation in the digestive tract
"urothelial cancer" or "urothelial carcinoma"	a type of cancer that typically occurs in the urinary system. It is the most common type of bladder cancer and cancer of the ureter, urethra, and urachus
"VEGF"	vascular endothelial growth factor, a gene critical for the growth and development of cancer cells. There are three main subtypes of VEGF receptors, including VEGFR-1 and VEGFR-2
"VEGF-A"	vascular endothelial growth factor A is a protein that stimulates the growth of blood vessels (this growth is referred to as angiogenesis) which in turn promotes the growth of certain solid tissues, including solid tumors
"VID"	VEGF Inhibit Domain
"wet AMD"	wet age-related macular degeneration, a form of AMD which is a leading cause of blindness in the elderly

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

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

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- competition for, among other things, capital, technology and skilled personnel;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

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

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

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

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

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

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

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

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

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

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

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

Investment in pharmaceutical drug development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. We have incurred losses in each period since our inception. In the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we incurred net loss of RMB544.5 million, RMB716.1 million and RMB57.6 million, respectively. As of June 30, 2018, we had an accumulated deficit attributed to the owners of our Company of RMB1,448.2 million. Substantially all of our operating losses have resulted from costs incurred in connection with our research and development programs and from administrative expenses associated with our operations.

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

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

We are a development-stage biopharmaceutical company founded in 2011. Our operations to date have focused on organizing and staffing our Company, business planning, raising capital, establishing our intellectual property portfolio, and conducting pre-clinical studies and clinical trials of our drug candidates. We have completed pivotal or registrational clinical trials for only one drug candidate, sintilimab, for one targeted indication. We have no products approved for commercial sale and have not generated any revenue from product sales. Our limited operating history, particularly in light of the rapidly evolving biopharmaceutical industry, may make it difficult to evaluate our current business and reliably predict our future

performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer.

We had net operating cash outflow and net liabilities during the Track Record Period.

We had net cash used in operating activities of RMB363.0 million, RMB492.3 million and RMB342.5 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, respectively. We had net liabilities of RMB958.2 million, RMB1,622.1 million and RMB1,573.9 million as of December 31, 2016 and 2017 and June 30, 2018, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may experience net cash outflows from our operating activities and we may have net liabilities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Our drug candidates will require the completion of clinical development, regulatory review, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used RMB363.0 million, RMB492.3 million and RMB342.5 million of net cash during the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, respectively. We expect to continue to spend substantial amounts on drug discovery, advancing the clinical development of our drug candidates, and launching and commercializing any approved drug candidates for which we receive regulatory approval. Our existing cash and cash equivalents and other financial assets may not be sufficient to enable us to complete all the development of our drug candidates or commercially launch all of our current drug candidates for the currently anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;

- the outcome, timing and cost of regulatory approvals of our drug candidates;

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

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

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

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

required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Fair value changes for our other financial liabilities measured at fair value through profit and loss may materially affect our financial condition and results of operations.

To date, we have raised approximately US$562.0 million from private equity financing through the issuance of convertible redeemable preferred shares and put options over our subsidiary's ordinary shares. We classified these financial instruments as other financial liabilities which are measured at fair value though profit and loss, or FVTPL. 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 our specific data. However, it should be noted that some significant unobservable inputs, such as fair value of our ordinary shares, 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 when necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the other financial liabilities at FVTPL. Although our preferred shares will be automatically converted to Shares upon the closing of the Global Offering, to the extent we need to revalue the preferred shares prior to the closing of the Global Offering, any change in fair value of these preferred shares could materially affect our financial positions and performance. We recorded a loss on fair value changes of other financial liabilities measured at FVTPL of RMB123.2 million and RMB51.0 million for the years ended December 31, 2016 and 2017, respectively, and recorded a gain on the same of RMB448.8 million for the six months ended June 30, 2018. We expect to recognize additional loss from the fair value changes of the preferred shares from June 30, 2018 to the Listing Date. After the automatic conversion of all preferred shares into Shares upon the closing of the Global Offering, we do not expect to recognize any further (loss) gain on fair value changes from preferred shares in the future.

RISKS RELATING TO OUR BUSINESS

Risks Relating to Development of Our Product Pipeline

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

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

- successful enrollment of patients in, and completion of, clinical trials, as well as completion of pre-clinical studies;
- obtaining sufficient supplies of any competitor drug products that may be necessary for use in clinical trials for evaluation of our drug candidates;
- favorable safety and efficacy data from our clinical trials and other studies;
- successful identification of potential product candidates based on our research or business development methodology or search criteria and process;
- sufficient resources to acquire or discover additional drug candidates;
- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by contract research organizations, or CROs, or other third parties we may retain to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- ensuring we do not infringe, misappropriate or otherwise violate the patents, trade secrets or other intellectual property rights of third parties;
- successfully launching commercial sales of our drug candidates, if and when approved;
- obtaining and maintaining favorable reimbursement from third-party payors for drugs, if and when approved;
- competition with other products; and
- continued acceptable safety profile of our drug candidates following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in our ability or be unable to develop, obtain approval for and/or to successfully commercialize our drug candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

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

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

Our clinical trials will likely compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials and non-head-to-head analyses (e.g., comparisons with competing drugs based on their publicly available study and trial data) may not be predictive of future trial results.

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

Furthermore, there can be no assurance that non-head-to-head analyses (e.g., comparisons with competing drugs based on their publicly available study and trial data) will be predictive of future clinical results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be favorable.

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

Before obtaining regulatory approval for the sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including but not limited to:

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

- our inability to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

- manufacturing issues, including problems with manufacturing, supply quality, compliance with good manufacturing practice, or GMP, or obtaining from third parties sufficient quantities of a drug candidate for use in a clinical trial;

- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs;

- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate;

- our third-party contractors, including clinical investigators, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;

- regulators, IRBs or ethics committees may require that we or our investigators suspend or terminate clinical research or not rely on the results of clinical research for various reasons, including non-compliance with regulatory requirements;

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

- the supply or quality of our drug candidates, companion diagnostics or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate.

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

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

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

Immuno-oncology therapies stimulate a cancer patient's own immune system to generate or augment anti-tumor immune responses in order to kill cancer cells. Immuno-oncology therapies include checkpoint inhibitors such as PD-1/PD-L1 antibodies, cytokines, adoptive T-cell therapy and cancer vaccines. Immuno-oncology therapies are increasingly used in cancer treatment and they have shown superior efficacy and safety compared with chemotherapy with certain cancer populations. For instance, some clinical studies have shown that Grade 3 or higher adverse events were less likely with PD-1 and PD-L1 therapies than chemotherapy. However, immuno-oncology therapies such as PD-1/PD-L1 antibodies are still considered as emerging and relatively novel therapeutics for cancer diseases. Their mechanisms of action are yet to be thoroughly understood, and adverse events or side effects have been observed in clinical studies and reported by medical practitioners in connection with their usage in cancer patients.

For instance, it has been well established that the binding of a PD-1 antibody such as sintilimab to PD-1, a membrane protein, blocks the interaction of PD-1 with its cognate ligands, PD-L1 and PD-L2, and reverses the immunosuppression induced by the interaction of

the PD-1 receptor with its two known ligands (PD-L1 and PD-L2). The blockade of PD-1 action, therefore, reverses immunosuppression, and can induce autoimmunity as a side effect. Studies in animals with PD-1 genetic knockout have demonstrated autoimmune phenotypes including myocarditis and a lupus-like syndrome. The human experience with PD-1 blocking antibodies is extensive and the predominant adverse events are autoimmune as well. The recognition and therapy of these canonical adverse events have been well understood and standardized. In addition, some studies have suggested a connection between hyperprogressive disease with PD-1 antibodies. However, hyperprogressive disease remains a poorly defined syndrome that is not specific to PD-1 therapy. The syndrome has been described in retrospective, non-randomized observational trials. Hyperprogressive disease is a mode of early failure of PD-1 therapy, targeted therapies or chemotherapy and is assessed by standard clinical observation.

Our sintilimab is designed to minimize or avoid known side effects often associated with other PD-1 therapies. However, the results of clinical trials for immuno-oncology therapies including PD-1/PD-L1 antibodies such as our sintilimab could reveal a high and unacceptable severity and prevalence of undesirable side effects. Any such side effects could adversely impact our ability to obtain regulatory approval. For example, the NMPA, the FDA or other comparable authorities could order us to suspend or terminate our studies or to cease further development of or deny approval of our sintilimab. In addition, any drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete trials or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Risks Relating to Extensive Government Regulation

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

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

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

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

The time required to obtain approval by the NMPA, the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, and other comparable regulatory authorities is unpredictable but typically takes 10-15 years (according to PhRMA Key Facts 2016) following the commencement of pre-clinical studies and clinical trials and depends on numerous factors, including the substantial discretion of the regulatory authorities.

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

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a drug candidate is safe and effective for its proposed indication;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from pre-clinical studies or clinical trials;
- changes in approval policies or regulations that render our pre-clinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- regulatory requests for additional analyses, reports, data, non-clinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our drug candidates;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

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

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may require us to resubmit clinical trial protocols to institutional review boards or ethics committees for re-examination, which may impact the costs, timing or successful completion of a clinical trial. The policies of the NMPA, FDA, EMA and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. For instance, we submitted our original NDA for sintilimab for the treatment of relapsed/refractory classical Hodgkin's lymphoma on December 1, 2017, which was accepted by the NMPA on December 7, 2017. The Center for Drug Evaluation, or CDE, under the NMPA, released new guidance in February 2018 on the requirements for NDA submissions of PD-1/PD-L1 drugs, specifically for data from single-arm trials on refractory/recurrent advanced cancers without standard-of-care therapies. In light of the new guidance released in February 2018 by the CDE, we resubmitted our NDA for sintilimab for the treatment of relapsed/refractory classical Hodgkin's lymphoma on April 3, 2018, which was accepted by the NMPA on April 16, 2018. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, in any of China, the United States or other countries. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability.

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

We believe that our drug candidates' designation in China as Category 1 products should confer certain regulatory advantages on us. These advantages may not result in commercial benefits to us as we expect, and they might be changed in the future in a manner adverse to us.

In China, prior to seeking approval from the NMPA, a pharmaceutical company needs to determine the drug's registration category, which will determine the requirements for its clinical trial and marketing application. For therapeutic biological products, these categories include Category 1, for biological products that have not been marketed anywhere in the world, Category 2, for monoclonal antibodies, and the other 13 categories. Among our pipeline of 17 antibody drug candidates, six are in clinical development in China, including two designated as Category 1 drug candidates, which are sintilimab and IBI-306, and four designated as Category 2 drug candidates, including IBI-310, IBI-301, IBI-303 and IBI-305.

The NMPA has adopted several mechanisms for expedited review and approval for drug candidates that apply to Category 1 drug candidates. While we believe that the Category 1 designation of our internally developed clinical stage drug candidates should provide us with a significant regulatory, and therefore commercial, advantage over non-Chinese companies seeking to market products in China, we cannot be sure that this will be the case. The pharmaceutical regulatory environment is evolving quickly, and changes in laws, regulations, enforcement and internal policies could result in the "favored" status of Category 1 products changing, or being eliminated altogether or our products classification in Category 1 changing. We cannot be certain that the advantages we believe will be conferred by our Category 1 classifications will be realized or result in any material development or commercial advantage.

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

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

Depending upon the timing, duration and specifics of any FDA marketing approval process for any drug candidates we may develop, one or more of our U.S. patents, if issued, may be eligible for limited patent term extension under Hatch-Waxman. Hatch-Waxman permits a patent extension term of up to five years as compensation for patent term lost during clinical trials and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements.

Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. The Company is not aware of any legal or practical impediment for it to obtain patent linkage, patent term extension and market exclusivity in the U.S., in each case to the extent applicable, as of the Latest Practicable Date. In China, however, there is no currently effective law or regulation providing patent term extension, patent linkage, or data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. Chinese regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension. To be implemented, this framework will require adoption of regulations. To date, no regulations have been issued. These factors result in weaker protection for us against generic competition in China than could be available to us in the United States. For instance, the patents we have in China are not yet eligible to be extended for patent term lost during clinical trials and the regulatory review process. If we are unable to obtain patent term extension or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

Chinese manufacturing facilities have historically experienced issues operating in line with established current good manufacturing practice, or cGMP, principles and international best practices, and passing FDA inspections, which may result in a longer and costlier current good manufacturing practice inspection and approval process by the FDA for our Chinese manufacturing processes.

To obtain FDA approval for our products in the United States, we will need to undergo strict pre-approval inspections of our manufacturing facilities, which are located in China. Historically, manufacturing facilities in China have had difficulty meeting the FDA's standards. When inspecting our Chinese manufacturing facilities in the future, the FDA might cite current good manufacturing practice, or cGMP, deficiencies, both minor and significant. Remediating deficiencies can be laborious and costly and consume significant periods of time. Moreover, if the FDA notes deficiencies as a result of this inspection, it will generally reinspect the facility to determine if the deficiency was remediated to its satisfaction. The FDA may note further deficiencies as a result of its reinspection, either related to the previously identified deficiency or otherwise. If we cannot satisfy the FDA as to our compliance with cGMP in a timely basis, FDA marketing approval for our products could be seriously delayed, which in turn would delay commercialization of our drug candidates in the United States. As of the Latest Practicable Date, we have not experienced any delays in the process of obtaining cGMP certification or received any queries from the FDA or the NMPA, and there has been no legal or practical impediment for us to obtain such cGMP certification.

Adverse events caused by our drug candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Adverse events caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay

or denial of regulatory approval by the NMPA, FDA, EMA or other comparable regulatory authority, or could result in limitations or withdrawal following approvals. If results of our trials reveal a high and unacceptable severity or prevalence of adverse events, our trials could be suspended or terminated and the NMPA, FDA, EMA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our drug candidates.

Numerous drug-related adverse events and serious adverse events have been reported in our clinical trials. Drug-related adverse events or serious adverse events could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly.

Additionally, adverse events caused by our drug candidates, or caused by our drug candidates when used in combination with other drugs, could potentially cause significant negative consequences for our Company, including:

- regulatory authorities could delay or halt pending clinical trials;
- we may suspend, delay or alter development or marketing of the drug candidate;
- regulatory authorities may withdraw approvals or revoke licenses of an approved drug candidate, or we may determine to do so even if not required;
- regulatory authorities may require additional warnings on the label;
- we may be required to develop a risk evaluation mitigation strategy for the drug candidate, or, if one is already in place, to incorporate additional requirements under the risk evaluation mitigation strategy, or to develop a similar strategy as required by a comparable regulatory authority;
- we may be required to conduct post-market studies; and
- we could be sued and held liable for harm caused to subjects or patients.

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

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

Any of our future approved drug candidates will be subject to ongoing or additional regulatory requirements for manufacturing, labeling, packaging, storage, advertising,

promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including both federal and state requirements in the United States and requirements of comparable regulatory authorities in China and other countries.

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

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

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

Approval pathway for biosimilars in China remains fluid, which may adversely affect the regulatory approval of our biosimilars drug candidates.

The NMPA issued the Technical Guideline for the Research, Development and Evaluation of Biosimilars (Tentative) (the "Biosimilars Guideline") on February 28, 2015. The Biosimilars Guideline outlines the regulatory framework for biosimilars, aiming to move toward a clear industry structure for the development of biosimilars. The Biosimilar Guideline does not offer an alternative pathway for launching biosimilar products in China; rather, biosimilars are essentially subject to the same approval pathway as innovative biologics, only with a different set of data requirements. Applicants must mark in their IND and NDA applications that submissions are intended to be reviewed as biosimilars. No products are known to have obtained approval in China under the Biosimilar Guideline. In addition, various uncertainties

surrounding the application and interpretation of the Biosimilars Guideline could adversely affect the regulatory approval of our existing biosimilars drug candidates, which account for three out of our four core products, as well as any other biosimilars we may develop in the future. Uncertainties surrounding the approval pathway for biosimilars in China include:

- the Biosimilars Guideline is a technical guidance only and cannot address several fundamental issues for the administration of biosimilars in the absence of a clear legislative authorization, e.g., the interchangeability with reference products, the naming rules and the labelling requirements for biosimilars;

- although the Biosimilars Guideline adopted a stepwise comparability approach, it does not contain sufficient details to be regarded as overarching guidelines and it is also not clear whether the NMPA will take further steps to develop product-specific guidelines and guidelines addressing issues such as immunogenicity assessment;

- while under the Biosimilars Guideline biosimilars are subject to the same approval pathway as innovative biologics with a set of different technical review criteria, it remains unclear if the time to market for biosimilars will be reduced compared with the lengthy review process for innovative biologics; and

- since changes in regulatory requirements and guidance may occur, it is unpredictable whether the NMPA and other regulatory authorities would issue updated policies or guidelines on biosimilars to replace or supplement the Biosimilars Guideline, or whether such updated policies or guidelines would bring additional compliance costs or substantial impediments for our biosimilar candidates to obtain regulatory approvals.

As such, there can be no certainty or assurance that our three Phase 3 biosimilar drug candidates, namely, IBI-301, IBI-303 and IBI-305, all being our core products, as well as any other biosimilars we may develop in the future, will be approved under the Biosimilars Guideline or any further updated policies or guidelines in the future, in a timely manner or at all, and we may not ultimately be able to develop and market any or all of them successfully.

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

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

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

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

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

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

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

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

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

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

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

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

The illegal importation of competing products from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drug candidates and, in turn, may adversely affect our sales and profitability in China and other countries where we commercialize our products. Unapproved foreign imports of prescription drugs are illegal under current laws of China. However, illegal

imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets (parallel imports) into higher-priced markets could harm sales of our future drug products and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to import lower priced versions of our future approved products or competing products from outside China or other countries where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other countries where we operate could have a material adverse effect on our business.

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

In addition, counterfeit pharmaceutical products are not expected to meet our or our collaborators' rigorous manufacturing and testing standards. A patient who receives a counterfeit pharmaceutical product may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

Risks Relating to Commercialization of Our Drugs and Drug Candidates

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

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

We have limited experience in filing for regulatory approval for our drug candidates, and we have not yet demonstrated the ability to receive regulatory approval for our drug candidates. We have submitted only one NDA, which was for our most advanced drug candidate, sintilimab. This was accepted by the NMPA on April 16, 2018 and is still awaiting approval. As a result, our ability to successfully submit any future NDA, and obtain regulatory approval for our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in obtaining regulatory approvals.

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

The process to develop, obtain regulatory approval for and commercialize drug candidates is long, complex and costly both inside and outside the United States and China, and approval is never guaranteed. Even if our drug candidates were to successfully obtain approval from the regulatory authorities, any approval might significantly limit the approved indications for use, or require that precautions, contraindications or warnings be included on the product labeling, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. Following any approval for commercial sale of our drug candidates, certain changes to the drug, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA, FDA and EMA and comparable regulatory authorities. Also, regulatory approval for any of our drug candidates may be withdrawn. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our drug candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other drug candidate in the future.

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

Our future approved drug candidates may fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well established in the medical community, and doctors may continue to rely on these treatments to the exclusion of

our drug candidates that are in clinical trials for the same or similar cancer indications. In addition, physicians, patients and third-party payors may prefer other novel products to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

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

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

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

We have not yet demonstrated an ability to launch and commercialize any of our drug candidates. For example, we only recently started the process of building a commercial team and a sales force for our drug candidates. As a result, our ability to successfully commercialize our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience launching and marketing drug candidates.

We will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel. If we are unable to, or decide not to, further develop internal sales, marketing and commercial distribution capabilities for any or all of our drug candidates, we will likely pursue collaborative arrangements regarding the sales and marketing of our drug candidates. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our drug candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates.

There can be no assurance that we will be able to further develop and successfully maintain in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any product, and as a result, we may not be able to generate product sales revenue.

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

The development and commercialization of new drugs is highly competitive and subject to rapid and significant technological change. We face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of cancer or other indications for which we are developing our drug candidates. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. In particular, the competition in therapeutic areas such as oncology and autoimmune diseases to which our Core Products belong is extremely fierce given the abundance of existing competing drugs and drug candidates that continue to increase competition in the market.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial, technical and human resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Competition may increase further as a result of advances in the commercial applicability of new or disruptive technologies. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any drugs that we may develop or commercialize. Our competitors also may obtain approval from the NMPA, FDA, EMA or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Additionally, new technologies developed by our competitors may render our potential drug candidates uneconomical or obsolete before we can recover expenses of developing and commercializing any of our drug candidates.

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

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

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

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

- difficulty of effective enforcement of contractual provisions in local jurisdictions;

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

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

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

- economic weakness, including inflation;

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

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

- currency fluctuations, which could result in increased operating expenses and reduced revenue;

- workforce uncertainty and labor unrest;

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

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

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

Risks Relating to Our Intellectual Property Rights

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

Our success depends in large part on our ability to protect our proprietary technology and drug candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in the United States, China and other countries, relying on trade secrets or pharmaceutical regulatory

protection or employing a combination of these methods. In particular, we do not own or in-license any issued patents in the United States related to our four core drug candidates and we own one non-provisional United States patent application related to sintilimab. For further information on our patent portfolio, see "Business – Intellectual Property." If we or our licensors are unable to obtain or maintain patent protection with respect to our drug candidates and technologies, our business, financial condition, results of operations and prospects could be materially harmed.

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

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

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. 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, advisers and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions. Furthermore, China and, recently, the United States have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

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

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

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

Furthermore, although various extensions may be available, the life of a patent and the protection it affords, is limited. Even if we successfully obtain patent protection for an approved drug candidate, it may face competition from generic or biosimilar medications once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. The issued patents and pending patent applications, if issued, for our drug candidates are expected to expire on various dates as

described in "Business – Intellectual Property" of this prospectus. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

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

Additionally, patent rights we may own or license currently or in the future may be subject to a reservation of rights by one or more third parties. For example, under U.S. law, when new technologies are developed with U.S. government funding, the U.S. government generally obtains certain rights in any resulting patents, including a non-exclusive license authorizing the government to use the invention for non-commercial purposes. These rights may permit the U.S. government to disclose our confidential information to third parties and to exercise march-in rights to use or allow third parties to use our licensed technology. The U.S. government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the U.S. government-funded technology, or if it determines that action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give preference to U.S. industry. In addition, our rights in such inventions may be subject to certain requirements to manufacture products embodying such inventions in the United States. Any exercise by the government of such rights could harm our competitive position, business, financial condition, results of operations, and prospects.

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

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

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

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

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

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

We or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents or other intellectual property as an inventor or co-inventor. If we or our licensors are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more patents owned or licensed or our owned or licensed patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensors are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use, our owned or in-licensed patents. If we or our licensors are unsuccessful in any

interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture, and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our owned and licensed patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations, or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

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

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

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

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions, including China. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to biopharmaceutical products, which could make it difficult in those

jurisdictions for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or the marketing of competing drugs in violation of our proprietary rights. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us.

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

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

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

Competitors may infringe our patent rights or infringe, misappropriate or otherwise violate our other intellectual property rights. To counter infringement, misappropriation, or any other unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers and other violators could also provoke these parties to assert counterclaims against us alleging that we infringe, misappropriate, or otherwise violate their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon, misappropriating, or otherwise violating our intellectual property rights. An adverse result in any litigation proceeding could put our patent, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include *ex parte* re-examination, *inter partes* review, post-grant review, derivation and equivalent proceedings in non-U.S. jurisdictions, such as opposition proceedings. Such proceedings could result in revocation of or amendment to our patents in such a way that they no longer cover and protect our drug candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we cannot be certain that there is no invalidating prior art of which we, our licensors, our or their patent counsel, and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our drug candidates. Such a loss of patent protection could have a material adverse impact on our business.

We may not be able to prevent misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our trade secret or other confidential information could be compromised by disclosure during this type of litigation.

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

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

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

Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability, or priority. A court of competent jurisdiction could hold that third party patents asserted against us are valid, enforceable, and infringed, which could materially and adversely affect our ability to develop and commercialize any of our drug candidates and any other drug candidates covered by the asserted third party patents. In order to successfully challenge the validity of any such U.S. patent in federal court, we would need to overcome a presumption of validity. As this burden is a high one requiring us to present clear and convincing evidence as to the invalidity of any such U.S. patent claim, there is no assurance that a court of competent jurisdiction would invalidate the claims of any such U.S. patent.

If third parties bring successful claims against us for infringement, misappropriation, or other violations of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our drug candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim against us of infringement, misappropriation, or other violation of intellectual property, or a settlement by us of any such claims, we may have to pay substantial damages, including treble damages and attorneys' fees in the case of willful infringement, pay royalties or redesign our infringing drug candidates, which may be impossible or require substantial time and cost. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our drug candidates. Any such license might not be available on reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. In the event that we are unable to obtain such a license, we would be unable to further develop and commercialize one or more of our drug candidates, which could harm our business significantly. We may also elect to enter into license agreements in order to settle patent and other intellectual property infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could significantly harm our business.

Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our shares. Such litigations or

proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. 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. Uncertainties resulting from the initiation and continuation of patent and other intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

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

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

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

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

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

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

In addition to our issued patent and pending patent applications, we rely on trade secret and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect this trade secret and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisers and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

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

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

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

Because our programs may involve additional drug candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licenses or other rights to use these proprietary rights. We may be unable to acquire or in-license any compositions, methods of use, or other intellectual property rights from third parties that we identify. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or drug candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

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

We have entered into license agreements with third parties providing us with rights to various third-party intellectual property, including rights in patents and patent applications. These license agreements impose diligence, development or commercialization timelines and milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under our current or future license agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop,

manufacture or market any drug or drug candidate that is covered by the licenses provided for under these agreements or we may face claims for monetary damages or other penalties under these agreements. Such an occurrence could diminish the value of these products and our business. Termination of the licenses provided for under these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms, or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology.

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

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

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

In addition, the agreements under which we license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations

under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

Intellectual property rights do not necessarily address all potential threats.

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

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

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

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

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

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

- 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 then use the information learned from such activities to develop competitive products for sale in our major commercial markets;

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

- the patents of others may harm our business; and

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

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

Risks Relating to Our Reliance on Third Parties

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

We have relied upon and plan to continue to rely upon third-party CROs to monitor and manage data for our ongoing pre-clinical and clinical programs. We rely on these parties for execution of our pre-clinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We, our CROs for our clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA, FDA, EMA and other comparable regulatory authorities for all of our drugs in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA, FDA, EMA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our pivotal clinical trials must be conducted with product produced under GMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

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

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

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

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

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

Our strategic collaboration with Eli Lilly involves numerous risks. We may not achieve the revenue and cost synergies expected from the transaction. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the synergies from our collaboration with Eli Lilly may be offset by other costs incurred in collaborating with Eli Lilly, increases in other expenses, operating losses or problems in the business unrelated to our collaboration with Eli Lilly. As a result, there can be no assurance that these synergies will be achieved.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our drug candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a drug candidate, we can expect to relinquish some or all of the control over the future success of that drug candidate to the third party. For any drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biotechnology companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

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

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

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

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

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

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

- collaborators may not properly obtain, protect, maintain, defend or enforce our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

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

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

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

- we co-own with others, and therefore do not have complete control over, some of our intellectual property and, in the normal course of business, we have licensed and may in the future license our rights under such co-owned intellectual property to third parties, which may lead to disputes with the relevant co-owner of such intellectual property.

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

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

Although we intend to further develop and rely on our own manufacturing facilities, we may use third parties as part of our manufacturing process and for the clinical and commercial supply of our drug candidates, which is not expected to be a major undertaking in addition to owning and operating our in-house manufacturing facilities. Reliance on third-party manufacturers would expose us to the following risks:

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

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

- manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state agencies in the United States to ensure strict compliance with cGMP and other government regulations and by other comparable regulatory authorities for corresponding non-U.S. requirements. We do not have control over third-party manufacturers' compliance with these regulations and requirements;

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

- manufacturers may not properly obtain, protect, maintain, defend or enforce our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

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

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

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

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

Currently, the raw materials for our manufacturing activities are supplied by multiple source suppliers. We have agreements for the supply of drug materials with manufacturers or suppliers that we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist. However, there is a risk that, if supplies are interrupted, it would materially harm our business.

Manufacturers of drug and biological products often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process (including the absence of contamination). These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error, availability of qualified personnel, as well as compliance with strictly enforced federal, state and non-U.S. regulations. Furthermore, if contaminants are discovered in our supply of our drug candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability failures or other issues relating to the manufacture of our drug candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any future approved drug candidates for commercial sale and our drug candidates to patients in clinical trials would be jeopardized.

Any delay or interruption in the provision of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

RISKS RELATING TO OUR OPERATIONS

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

We are highly dependent on Dr. De-Chao Michael Yu, our co-founder, Chairman of the Board and Chief Executive Officer; and the other principal members of our management and scientific teams. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To induce valuable employees to remain at our Company, in addition to salary and cash incentives, we have provided share-based compensation that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the market price of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment.

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

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel.

We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. Our consultants and advisers may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

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

We had 777 employees as of the Latest Practicable Date. Most of our employees are full-time. As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

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

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

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

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

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

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

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

- increased operating expenses and cash requirements;

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

- the issuance of our equity securities;

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

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

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

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

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

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

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the Ministry of Commerce of China, or the MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules issued by the State Council, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Lenders, or the Security Review Rules, issued by the MOFCOM specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other

things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

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

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

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

Although we maintain statutory employees' social insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential

liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials.

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

Our internal computer systems may fail or suffer security breaches.

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

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business critical information including research and development information, commercial information and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our Company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events, such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and

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

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

We face an inherent risk of product liability as a result of the clinical testing and any future commercialization of our drug candidates inside and outside China. For example, we may be sued if our drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection laws. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: decreased demand for our drug candidates; injury to our reputation; withdrawal of clinical trial participants and inability to continue clinical trials; initiation of investigations by regulators; costs to defend the related litigation; a diversion of management's time and our resources; substantial monetary awards to trial participants or patients; product recalls, withdrawals or labeling, marketing or promotional restrictions; loss of revenue; exhaustion of any available insurance and our capital resources; the inability to commercialize any approved drug candidate; and a decline in the market price of our Shares.

To cover such liability claims arising from clinical studies, we purchase clinical trial insurance in the conduct of our clinical trials. It is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a

successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of these events occur, it could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the risks of doing business globally.

Because we intend to do business outside of China, our business is subject to risks associated with doing business globally. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including: changes in a specific country's or region's political and cultural climate or economic condition; unexpected changes in or failure to comply with laws and regulatory requirements in local jurisdictions; differences between national and local practice with respect to laws and regulatory requirements in a specific jurisdiction; difficulty of effective enforcement of contractual provisions in local jurisdictions; concerns of local governments and regulators on our research and trial sites and on the relevant management arrangements; inadequate intellectual property protection in certain countries; enforcement of anti-corruption and anti-bribery laws, such as the FCPA; trade-protection measures, import or export licensing requirements such as Export Administration Regulations promulgated by the United States Department of Commerce and fines, penalties or suspension or revocation of export privileges; the effects of applicable local tax regimes, royalties and other payment obligations owed to local governments, and potentially adverse tax consequences; and significant adverse changes in local currency exchange rates.

We manufacture most if not all of our drug candidates ourselves, and we intend to manufacture most if not all of any approved drug candidates ourselves as well. Delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.

We currently have manufacturing facilities in Suzhou, China and are building additional manufacturing facilities in the same building to expand our manufacturing capacity. These facilities may encounter unanticipated delays and expenses due to a number of factors, including regulatory requirements. If construction, regulatory evaluation and/or approval of our new facilities is delayed, we may not be able to manufacture sufficient quantities of our drug candidates and our drugs, if approved, which would limit our development and commercialization activities and our opportunities for growth. Cost overruns associated with constructing or maintaining our facilities could require us to raise additional funds from other sources.

Our manufacturing facilities will be subject to ongoing, periodic inspection by the NMPA, FDA, EMA or other comparable regulatory agencies to ensure compliance with GMP regulations. Our failure to follow and document our adherence to such GMP regulations or other regulatory requirements may lead to significant delays in the availability of products for

clinical or, in the future, commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our drug candidates or the commercialization of our drugs, if approved. We also may encounter problems with the following:

- achieving adequate or clinical-grade materials that meet NMPA, FDA, EMA or other comparable regulatory agency standards or specifications with consistent and acceptable production yield and costs;

- shortages of qualified personnel, raw materials or key contractors; and

- ongoing compliance with GMP regulations and other requirements of the NMPA, FDA, EMA or other comparable regulatory agencies.

Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our drug candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of our drug candidates, operating restrictions and criminal prosecutions, any of which could harm our business.

Developing advanced manufacturing techniques and process controls is required to fully utilize our facilities. Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete.

To produce our drug candidates in the quantities that we believe will be required to meet anticipated market demand of our drug candidates if approved, we will need to increase, or "scale up," the production process by a significant factor over the initial level of production. If we are unable to do so, are delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to produce our approved drug candidates in a sufficient quantity to meet future demand.

If our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any of our future approved drug candidates manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales if and when we are able to successfully commercialize one or more of our drug candidates. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our drug candidates in a timely manner could materially harm our business, financial condition and operating results.

Currently, we maintain insurance coverage against damage to our property and equipment in amounts we believe are reasonable. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for our drug candidates and drugs if there were a catastrophic event or failure of our manufacturing facilities or processes.

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

The change in the value of RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. From 1995 until July 2005, the conversion of the RMB into foreign currencies in China, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the People's Bank of China, or PBOC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On June 19, 2010, the PBOC announced that it intends to further reform the RMB exchange rate regime by enhancing the flexibility of the RMB exchange rate. Following this announcement, the RMB had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.21 per U.S. Dollar as of June 15, 2015. On August 11, 2015, the PBOC further enlarged the floating band for trading prices in the inter-bank spot exchange market of RMB against the U.S. dollar to 2.0% around the closing price in the previous trading session, and RMB depreciated against the U.S. dollar by approximately 1.62% as compared to the previous day, and further depreciated nearly 1.0% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right and decided that with effect from October 1, 2016, RMB is determined to be a freely usable currency and will be included in the Special Drawing Right basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalisation and RMB internationalisation, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the RMB will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

Substantially all of our costs are denominated in RMB and most of our financial assets are also denominated in RMB. We rely entirely on dividends and other fees paid to us by our PRC subsidiary. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against RMB may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of RMB against the Hong Kong dollar would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into RMB for such purposes. An appreciation of RMB against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into RMB. Conversely, if we decide to convert our RMB into Hong Kong

dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against RMB would have a negative effect on the Hong Kong dollar amount available to us. We recorded a net foreign exchange gain of RMB23.3 million, a loss of RMB29.3 million and a gain of RMB51.2 million for the years ended December 31, 2016 and 2017, and the six months ended June 30, 2018, respectively.

RISKS RELATING TO OUR DOING BUSINESS IN CHINA

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

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

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

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

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

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

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

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

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

In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and

implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

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

In 2014, the State Administration of Foreign Exchange, or SAFE, promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of SAFE or competent banks designated by SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "PRC residents" under SAFE Circular 37 is defined as the PRC citizens holding PRC ID or non-PRC citizens habitually residing in China due to economic interests. The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. Our PRC legal adviser further advises that there still remains uncertainty as to interpretation and implementation of SAFE Circular 37 and relevant implementation rules at practice level. Based on an interview performed by us and our PRC legal adviser with the competent branch of SAFE, our PRC legal adviser is of the view that, Dr. De-Chao Michael Yu, Ph. D. and other individual shareholders of the Company as of the Latest Practicable Date are not required to conduct registration pursuant to the requirements of SAFE Circular 37 and relevant implementation rules.

We are committed to ensuring our and our shareholders' and beneficial owners' compliance with applicable PRC rules and regulations. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and

we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, and limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding our employee equity incentive plans or the mandatory social insurance may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Our directors, executive officers and other employees who are PRC residents have participated in our employee equity incentive plans. We are an overseas listed company, and therefore, we and our directors, executive officers and other employees who are PRC citizens or who have resided in China for a continuous period of not less than one year and who have been granted restricted share units, restricted shares or options are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plan of Overseas Publicly Listed Company, according to which, employees, directors, supervisors and other management members participating in any share incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited 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 other procedures. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

If we or our directors, executive officers or other employees who are PRC citizens or who have resided in China for a continuous period of not less than one year and who have been granted equity awards fail to register the employee equity incentive plans or their exercise of options, we and such employees may be subject to (i) legal or administrative sanctions imposed by the SAFE or other PRC authorities, including fines; (ii) restrictions on our cross-border investment activities; (iii) limits on the ability of our wholly owned subsidiaries in China to distribute dividends or the proceeds from any reduction in capital, share transfer or liquidation to us; and (iv) prohibitions on our ability to inject additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions.

In addition, according to the Social Insurance Law implemented on July 1, 2011 and other applicable PRC regulations, any employer operating in China must open social insurance registration accounts and contribute social insurance premium for its employees. Any failure to make timely and adequate contribution of social insurance premium for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such overdue social insurance premium within a specified period of time, and the competent authority may further impose fines or penalties. In the ordinary course of our business, we have failed to comply with such regulations involving, in the aggregate, an immaterial amount. As of the Latest Practicable Date, we have not received any order of correction or any fines or penalties from the competent authority and also have not received any complaint or labor arbitration application from any of our employees, in each case as a result of any such failure. However, we cannot assure you that the competent authority will not require us to rectify any non-compliance by making contribution of overdue social insurance premium or to pay any overdue fine or penalty related thereto.

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

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

Our PRC subsidiaries are expected to generate substantially all of their revenue from sales of our future approved drug candidates in RMB, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their RMB revenues to pay dividends to us.

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

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

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

Pursuant to the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income, or the Hong Kong Tax Treaty, Innovent Biologics (HK) Limited, the shareholder of Innovent Suzhou, may be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries as a Hong Kong tax resident. Pursuant to the Hong Kong Tax Treaty, subject to certain conditions, this reduced withholding tax rate will be available for dividends from PRC entities provided that the recipient can demonstrate it is a Hong Kong tax resident and it is the beneficial owner of the dividends. However, there is no assurance that the reduced withholding tax rate will be available.

We may be treated as a resident enterprise for PRC tax purposes under the Enterprise Income Tax Law and we may therefore be subject to PRC income tax on our worldwide taxable income. Dividends payable to foreign investors and gains on the sale of our Shares by our foreign investors may become subject to PRC tax.

Under the Enterprise Income Tax Law, an enterprise established outside the PRC with "de facto management bodies" within China is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC enterprise income tax, or EIT, purposes. The implementing rules of the Enterprise Income Tax Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of

board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

We are not aware of any offshore holding company with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Accordingly, we do not believe that our Company or any of our overseas subsidiaries should be treated as a PRC resident enterprise.

If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC EIT purposes, a number of unfavorable PRC tax consequences could follow and we may be subject to EIT at a rate of 25% on our worldwide taxable income, as well as to PRC EIT reporting obligations. If we are deemed a PRC resident enterprise, dividends paid on our Shares, and any gain realized from the transfer of our Shares, may be treated as income derived from sources within China. As a result, dividends paid to non-PRC resident enterprise shareholders may be subject to PRC withholding tax at a rate of 10% (or 20% in the case of non-PRC individual shareholders) and gains realized by non-PRC resident enterprise shareholders from the transfer of our Shares may be subject to PRC tax at a rate of 10% (or 20% in the case of non-PRC individual shareholders).

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company.

Pursuant to the Bulletin on Issues of Enterprise Income Tax and Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, an "indirect transfer" of "PRC taxable assets," including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from such indirect transfer may be subject to PRC EIT. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be reported on with the EIT filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC EIT at the rate of 10% would apply, subject to

available preferential tax treatment under applicable tax treaties or similar arrangements. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange are not subject to the PRC EIT pursuant to Bulletin 7 where such shares were acquired in a transaction through a public stock exchange. As such, the sale of the Shares on a public stock exchange will not be subject to PRC EIT pursuant to Bulletin 7. However, the sale of our Shares by a non-PRC resident enterprise outside a public stock exchange may be subject to PRC EIT under Bulletin 7.

There are uncertainties as to the application of Bulletin 7. Bulletin 7 may be determined by the tax authorities to be applicable to sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. The transferors and transferees may be subject to the tax filing and withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under the Announcement of the State Administration of Taxation – Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises, or Bulletin 37, or under Bulletin 7, our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

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

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

holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

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

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries as part of their efforts to encourage the development of local businesses. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

We may be restricted from transferring our scientific data abroad

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the Equity Plans, which would further dilute Shareholders' interests in our Company.

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

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

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

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

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

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

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take

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

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

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

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

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

Subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus,

we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in the PRC. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is 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 authorised representatives, namely Ronald Hao Xi Ede, executive Director and Chief Financial Officer, and Lok Yee Chan, joint company secretary and their alternate representative Yanju Wang, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

(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) to each of the authorised representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorised representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong possess or are able to apply for 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 a compliance adviser, being Guotai Junan Capital Limited (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 additional channel of communication with the Stock Exchange in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice in compliance with Rule 3A.23 of the Listing Rules; and

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

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

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

(a) length of employment with the issuer and other issuers and roles he or she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

Our Company appointed Yanju Wang and Lok Yee Chan of Vistra Corporate Services (HK) Limited as joint company secretaries of our Company on June 4, 2018. Lok Yee Chan is an associate member of the Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Ms. Yanju Wang, aged 29, was appointed as our joint company secretary on June 4, 2018. She joined the Group in October 2015 as Executive Assistant. Her main responsibilities include managing company documents, revising institutional processes, organizing board and management meetings, and taking charge of the company's foreign investment and industrial registration. Prior to joining the Group, Ms. Wang worked as an analyst at Boshi Automobile Parts (Suzhou) Co., Ltd. (博世汽車零部件(蘇州)有限公司) from 2014 to 2015.

Ms. Wang received her Bachelor in Management degree from the Nanjing University of Posts and Telecommunications in June 2012 and her Master of Economics degree from Jiangsu University in June 2015. She obtained an accounting qualification certificate in August 2014 and a banking qualification certificate in October 2014.

Ms. Lok Yee Chan, aged 28, was appointed as our joint company secretary on June 4, 2018. She joined Vistra Corporate Services (HK) Limited in 2016 and is an Assistant Manager of Corporate Services. Ms. Chan has over four years of experience in providing a full range of company secretarial and compliance services and is currently serving a portfolio of clients including public listed companies and private companies.

Ms. Chan obtained a Bachelor of Arts from The Hong Kong Polytechnic University in October 2011 and a Master of Science in Professional Accounting and Corporate Governance in July 2015 from City University of Hong Kong.

She has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in United Kingdom since 2015.

Accordingly, while Yanju Wang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wang may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that Lok Yee Chan, as a joint company secretary of our Company, will work closely with, and provide assistance to, Yanju Wang in the discharge of her duties as a joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms. Chan ceases to provide assistance to Ms. Wang as the joint company secretary for the three-year period after Listing. In addition, Ms. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Wang has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange.

Prior to the end of the three-year period, the qualifications and experience of Yanju Wang and the need for on-going assistance of Lok Yee Chan will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Wang, having benefited from the assistance of Ms. Chan for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management" for further information regarding the qualifications of Yanju Wang and Lok Yee Chan.

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

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, requires the Company to disclose, 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**").

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Incentive Plan to 322 grantees to subscribe for an aggregate of 71,910,000 Shares, representing approximately 6.43% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans) on the terms set out in the section headed "Statutory and General Information – D. Equity Plans – 1. Pre-IPO Share Incentive Plan" in Appendix IV. These grantees primarily consist of our current employees, and also include external consultants and ex-employees. No options have been granted to the Directors, members of senior management, and other connected persons of the Company which are outstanding.

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

(b) strict compliance with such disclosure requirements in setting out full details of all the grantees requires the Company to seek and obtain consent from each of the 322 grantees, which would be significantly time consuming, administratively burdensome and costly;

(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 share options under the Pre-IPO Share Incentive Plan will not cause any material adverse impact in 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 share options under the Pre-IPO Share Incentive Plan will be disclosed in this prospectus, including the aggregate number of grantees and total number of Shares subject to the Pre-IPO Share Incentive Plan, the consideration paid for the grant of the share options under the Pre-IPO Share Incentive Plan, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the share options granted under the Pre-IPO Share Incentive Plan. The Directors consider that the information that is reasonably necessary for the 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 condition that:

(a) in respect of the options granted under the Pre-IPO Share Incentive Plan to grantees who are not Directors, the senior management or the 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 share options under the Pre-IPO Share Incentive Plan, (2) the consideration paid for the grant of the share options under the Pre-IPO Share Incentive Plan and (3) the exercise period and the exercise price of the share options granted under the Pre-IPO Share Incentive Plan in the section headed "Statutory and General Information – D. Equity Plans – 1. Pre-IPO Share Incentive Plan" in Appendix IV;

(b) in respect of the grantees who are not our employees and are granted options with more than 2,000,000 underlying Shares under the Pre-IPO Share Incentive Plan, full details of all options granted to these grantees, including all the particulars as required under Rule 17.02(1)(b) 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 will, on an individual basis be disclosed in the section headed "Statutory and General Information – D. Equity Plans – 1. Pre-IPO Share Incentive Plan" in Appendix IV;

(c) aggregate number of Shares underlying the options granted under the Pre-IPO Share Incentive Plan and the percentage to the Company's total issued share capital represented by such number of Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans) will be made in the section headed "Statutory and General Information – D. Equity Plans – 1. Pre-IPO Share Incentive Plan" in Appendix IV;

(d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO Share Incentive Plan will be disclosed in the section headed "Statutory and General Information – D. Equity Plans – 1. Pre-IPO Share Incentive Plan" in Appendix IV;

(e) a summary of the major terms of the Pre-IPO Share Incentive Plan will be disclosed in the section headed "Statutory and General Information – D. Equity Plans – 1. Pre-IPO Share Incentive Plan" in Appendix IV;

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

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

(h) 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 the conditions that:

(a) full details of the options granted by the Company under the Pre-IPO Share Incentive Plan to each of the Directors, senior management and other connected persons of the Company, if any, and grantees who are not employees of the Company and have been granted options to subscribe for more than 2,000,000 shares are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by the Company under the Pre-IPO Share Incentive Plan for grantees other than Directors, the senior management or the other connected persons of the Company, disclosures are made on an aggregate basis and categorized by reference to number of shares underlying the outstanding options and exercise price. For each category, the following details are disclosed in this prospectus: (1) aggregate number of grantees and number of shares subject to the options, (2) the consideration paid for the grant of the options and (3) the exercise period and the exercise price for the options;

(c) a full list of all the grantees (including the persons referred to in (a) above) who have been granted options to subscribe for shares under the Pre-IPO Share Incentive Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus; and

(d) the particulars of the exemption are set out in this prospectus which would be issued on or before October 18, 2018.

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

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

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

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

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

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

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

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

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

(b) the Accountant's Report for each of the two financial years ended December 31, 2016 and 2017, and the six months ended June 30, 2018 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(c) as of the Latest Practicable Date, we had not commercialized any products and therefore did not generate any revenue from product sales. The details of our major activities have been fully disclosed in the section headed "Business" in the Prospectus;

(d) notwithstanding that the financial results set out in this prospectus are only for the two years ended December 31, 2016 and 2017, and the six months ended June 30, 2018 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements; and

(e) given that the Company is only required to disclose its financial results for each of the two financial years ended December 31, 2016 and 2017 under Chapter 18A of the Listing Rules and the six months ended June 30, 2018 and preparation of the financial results for the year ended December 31, 2018 would require additional work to be performed by the Company and its auditors, it will be unduly burdensome for the Company to comply with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance as stated above.

Our Company is of the view that the Accountant's Report covering the two years ended December 31, 2016 and 2017, and the six months ended June 30, 2018, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this prospectus. Therefore, the exemption would not prejudice the interests of the investing public.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

GLOBAL OFFERING

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

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

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, October 23, 2018 and, in any event, not later than Tuesday, October 30, 2018 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Tuesday, October 30, 2018, the Global Offering will not become unconditional and will lapse immediately.

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

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of: (i) the Over-Allotment Option and (ii) the options which have been granted under the Pre-IPO Share Incentive Plan.

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, October 31, 2018. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

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

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Company may be required to sell up to an additional 35,452,000 new Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

EXCHANGE RATE CONVERSION

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

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

RMB0.8817	to HK$1.00
RMB6.9019	to US$1.00
HK$7.8282	to US$1.00

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

LANGUAGE

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

ROUNDING

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

For further information on our Directors, please refer to the section headed "Directors and Senior Management".

DIRECTORS

Name	Address	Nationality
Executive Directors		
De-Chao Michael Yu, Ph.D.	Building 50, Fengqing Shui'an Gardens Suzhou Industrial Park Jiangsu Province PRC	American
Ronald Hao Xi Ede	13A South Tower 3 Phase 2, Residence Bel-Air Island South Hong Kong	American
Non-executive Directors		
Shuyun Chen	9C, 10 Kotewall Road Mid-levels Hong Kong	Singaporean
Independent non-executive Directors		
Charles Leland Cooney, Ph.D.	35 Chestnut Place Brookline Massachusetts 02245 US	American
Joyce I-Yin Hsu	Apt. 12 C, Po Garden 9 Brewin Path Mid-Levels Hong Kong	Chinese (Hong Kong)
Kaixian Chen, Ph.D.	No. 641, Lane 99 Qingzhen Road Xuhui District Shanghai PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Goldman Sachs (Asia) L.L.C.** 59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **J.P. Morgan Securities (Far East) Limited** 7, 23-29/F Chater House 8 Connaught Road Central Hong Kong **China Merchants Securities (HK) Co., Limited** 48/F, One Exchange Square Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Goldman Sachs (Asia) L.L.C.** 59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **J.P. Morgan Securities (Asia Pacific) Limited** 28/F, Chater House 8 Connaught Road Central, Central Hong Kong **China Merchants Securities (HK) Co., Limited** 48/F, One Exchange Square Central Hong Kong

	Huatai Financial Holdings (Hong Kong) Limited Room 5801-05, 58/F, The Center 99 Queen's Road Central Hong Kong
Joint Bookrunners	**Morgan Stanley Asia Limited** (in relation to the Hong Kong Public Offering only) 46/F, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
	Morgan Stanley & Co. International plc (in relation to the International Offering only) 25 Cabot Square, Canary Wharf London E14 4QA United Kingdom
	Goldman Sachs (Asia) L.L.C. 59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering only) 28/F, Chater House 8 Connaught Road Central, Central Hong Kong
	J.P. Morgan Securities plc (in relation to the International Offering only) 25 Bank Street, Canary Wharf London E14 5JP United Kingdom
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
Room 5801-05, 58/F, The Center
99 Queen's Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road
Central
Hong Kong

Joint Lead Managers

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

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square, Canary Wharf
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Goldman Sachs (Asia) L.L.C.
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2 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
(in relation to the Hong Kong Public Offering only)
28/F, Chater House
8 Connaught Road Central, Central
Hong Kong

J.P. Morgan Securities plc
(in relation to the International Offering only)
25 Bank Street, Canary Wharf
London E14 5JP
United Kingdom

	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited Room 5801-05, 58/F, The Center 99 Queen's Road Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Auditors	**Deloitte Touche Tohmatsu Certified Public Accountants LLP** 30/F Bund Center 222 Yan An Road East Shanghai, PRC
Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Admiralty Hong Kong
Legal Advisers to the Company	*As to Hong Kong and U.S. laws:* Skadden, Arps, Slate, Meagher & Flom and affiliates 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong

	As to PRC law: Han Kun Law Offices 33/F, HKRI Centre Two HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai 200041 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 Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* Davis Polk & Wardwell 18/F, The Hong Kong Club Building 3A Chater Road Central Hong Kong
	As to PRC law: Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1018, Tower B 500 Yunjin Road Shanghai, 200232 China
Receiving Banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	CMB Wing Lung Bank Room 1503, CMB Wing Lung Bank Centre 636 Nathan Road Kowloon Hong Kong

Registered Office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Place Of Business in China	168 Dongping Street Suzhou Industrial Park China 215123
Principal Place of Business in Hong Kong	Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.innoventbio.com** (A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)
Joint Company Secretaries	Yanju Wang 168 Dongping Street Suzhou Industrial Park China 215123 Lok Yee Chan (ACIS, ACS) 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Authorised Representatives	Ronald Hao Xi Ede 13A South Tower 3 Phase 2, Residence Bel-Air Island South Hong Kong Lok Yee Chan (ACIS, ACS) 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong

Audit Committee	Joyce I-yin Hsu (Chairman) Shuyun Chen Kaixian Chen, Ph.D.
Remuneration Committee	Joyce I-yin Hsu (Chairman) De-Chao Michael Yu, Ph.D. Kaixian Chen, Ph.D.
Nomination Committee	De-Chao Michael Yu, Ph.D. (Chairman) Kaixian Chen, Ph.D. Charles Leland Cooney, Ph.D.
Strategy Committee	De-Chao Michael Yu, Ph.D. (Chairman) Charles Leland Cooney, Ph.D. Shuyun Chen Ronald Hao Xi Ede
Compliance Adviser	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Share Registrar	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall Cricket Square KY1-1102 Cayman Islands
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building, 4-4A Des Voeux Road Central Hong Kong China Construction Bank Suzhou Industrial Park Subbranch CSSD Building, No. 158 Wangdun Road Suzhou Industrial Park 215028 China

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

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the worldwide biologics market. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB750,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the biologics market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

OVERVIEW OF THE BIOLOGICS MARKET

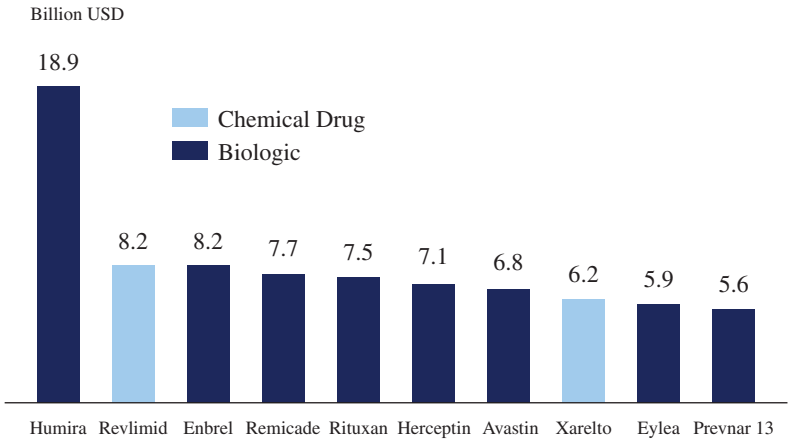
Biologics

Biologics are a subset of pharmaceuticals and include a wide range of products such as monoclonal antibodies, or mAbs, recombinant therapeutic proteins, vaccines, blood and blood components, cell therapy and gene therapy.

Biologics have benefited from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades and are revolutionizing the treatment of diseases in many major therapeutic areas globally. As a result, the biopharmaceutical industry has become an increasingly important segment of the pharmaceutical industry. Advances in recombinant DNA technologies have facilitated the large-scale manufacturing of biologics products, such as mAbs and fusion proteins. In addition, improvements in analytical technologies have enabled improved characterization of biologics which allow for the screening and identification of novel biologics with complex structures and various therapeutic functions.

Biologic drugs are currently the top-selling pharmaceutical products in the world. Among the ten top-selling drugs in 2017, eight are biologics. The total sales revenue of these eight biologics was US$67.8 billion, accounting for 82.5% of the aggregated sales revenue of the ten top-selling drugs in 2017.

Global Ten Top-Selling Drugs in Terms of Sales Revenue, 2017

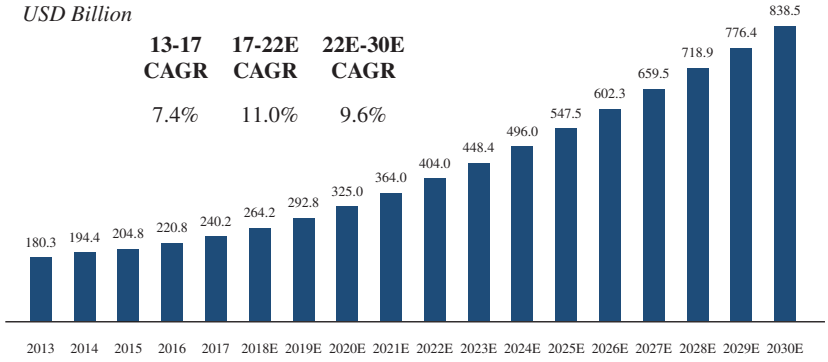


Source: Frost & Sullivan

Overview of the Global Biologics Market

The global biologics market grew at a CAGR of 7.4% from US$180.3 billion in terms of sales revenue in 2013 to US$240.2 billion in 2017. This trend is expected to continue in the coming years with the global biologics market expected to reach US$404.0 billion in 2022 at a CAGR of 11.0% from 2017 to 2022 and further reach US$838.5 billion in 2030 at a CAGR of 9.6% from 2022 to 2030, in terms of sales revenue. The following diagram illustrates the market size of the global biologics market from 2013 to 2017 and the estimated market size from 2018 to 2030.

Market Size of Global Biologics Market (2013-2030E)



Source: Frost & Sullivan

Monoclonal Antibodies

Monoclonal antibodies, including mono-specifics and bi-specifics, and fusion proteins, have similar mechanisms of actions but different structures. By binding to the ligand or receptor that is expressed on the cell surface, both monoclonal antibodies and fusion proteins inhibit the binding between the ligand and its specific receptor, block the target signaling pathway and prevent downstream effects, such as activation of inflammatory cascade.

Rather than binding to only one target as mono-specifics do, bi-specific antibodies simultaneously bind to two targets. By doing so, bi-specific antibodies can modulate two signaling pathways, bring two types of cells into close proximity and/or target the bi-specifics to specific cells.

Category	Structure	Example
Fusion protein		Etanercept, Aflibercept
Monoclonal Antibody		Nivolumab, Adalimumab, Rituximab
Bi-specific Antibody		Blinatumomab, Catumaxomab

Source: Frost & Sullivan

The table below sets forth a comprehensive comparison of monoclonal antibodies and bi-specific antibodies:

Comprehensive Comparison of Monoclonal Antibodies and Bi-specific Antibodies

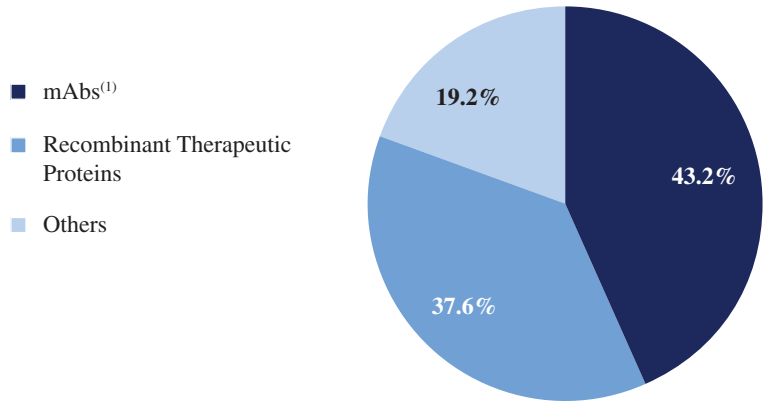
Properties	Monoclonal Antibodies	Bi-specific Antibodies
1. Therapeutic areas	• Widely used in a number of therapeutic areas, such as cancer, metabolic disease, ophthalmology, autoimmunity, with proven clinical treatment value	• Great efficacy for non-solid tumor • Developing treatment for ophthalmology, autoimmunity and cardiovascular disease
2. Benefits and limitations of mono-therapy and combination therapy	• Used both as a mono-therapy and a combination therapy • Benefits: Large number of evidence medicine supports • Limitations: higher possibility for drug tolerance due to single target	• Used both as a mono-therapy and a combination therapy • Benefits: low possibility for drug tolerance due to compensatory dual targets • Limitations: both clinical use and related technology are in early stage

Properties	Monoclonal Antibodies	Bi-specific Antibodies
3. Manufacturing hurdles and safeguards	• The manufacturing process primarily includes building expression system and cell bank, filling, cell culture and purification • The manufacturing system for monoclonal antibodies is more mature as compared to that for bi-specific antibodies	• The manufacturing system for bi-specific antibodies is still developing. There are over 60 new platforms which are exploring new manufacturing pathways of bi-specific. Compared with monoclonal antibodies, manufacturing for bi-specific needs more modification in either expression system or antibodies. Currently, there are only two commercial products of bi-specific antibodies, namely Removab and Blincyto, and thus, there is no common industry practice of commercial manufacturing. Exploration of commercial manufacturing mainly focuses on chemical conjugation, quadroma technology and gene engineering

Source: Frost & Sullivan

Monoclonal antibodies are one of the largest segments of the overall biologics market, comprising 43.2% of the total biologics market by sales revenue in 2017, according to the Frost & Sullivan Report. The breakdown of the global biologics market in terms of sales revenue by category in 2017 is illustrated in the diagram below.

Breakdown of Global Biologics Market by Category, 2017



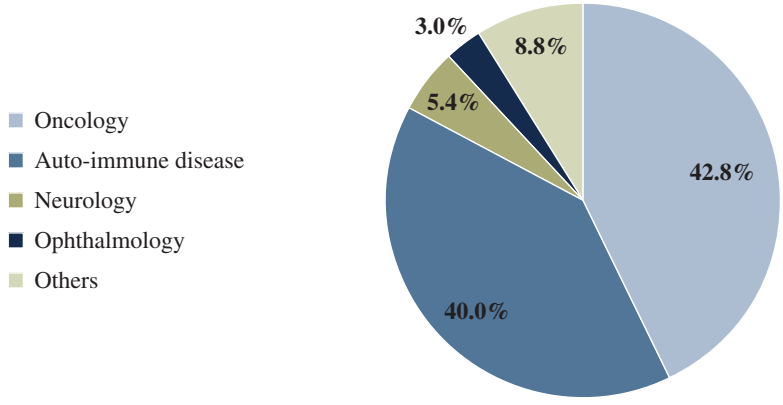
Source: Frost & Sullivan

(1) For purposes of this diagram only, mAbs include both monoclonal antibodies and fusion proteins.

Key Therapeutic Areas of Monoclonal Antibodies

Monoclonal antibodies are widely used in different therapeutic areas, including oncology, auto-immune diseases, neurology and ophthalmology. The global sales revenue of monoclonal antibodies (including fusion proteins) was US$103.8 billion in 2017. Oncology and auto-immune diseases are the two largest therapeutic areas of monoclonal antibodies, accounting for approximately 42.8% and 40.0% of the total monoclonal antibodies market, respectively. The breakdown of the global mAbs market by therapeutic areas in 2017 is summarized in the diagram below.

Breakdown of Global mAbs Market by Therapeutic Areas, 2017



Source: Frost & Sullivan

Entry Barriers of Biologics Development and Manufacturing

Challenging Manufacturing – The living cells used to manufacture biologics are fragile and sensitive to external environment. The characteristics of living cells impose high technical requirements on the manufacturing process of biologics.

Hard to Copy – Biologics are more difficult to replicate than traditional small-molecule pharmaceuticals. Unlike traditional small-molecule pharmaceuticals, biologics usually have large and complex molecular structures which are influenced by the specifics of the manufacturing process. Even slight differences in the structure can result in significant differences in the safety and efficacy profile.

Knowledge-intensive – Development of biologics is a very complex process and requires integration of knowledge from multiple disciplines and special skill sets.

Heavy Capital Investment – Large-scale biologics manufacturing facilities require US$200 million to US$700 million or more to build, compared with similar-scale small-molecule facilities that may cost just US$30 million to US$100 million.

Stringent Regulation – Biologics regulations are still evolving. Currently the approval for biologics generally involves a more complex registration process, including requirements for more comprehensive clinical data.

Market Trends and Growth Drivers of Global Biologics Market

According to the Frost & Sullivan Report, the growth of the global biologics market is driven by the following key factors:

Superior Efficacy of Biologics – Biologics show high efficacy in treating a broad spectrum of diseases that lack effective therapies, such as cancers and auto-immune diseases, with faster onset and fewer side effects. Such superior efficacy of biologics results in growing acceptance among patients and doctors, which stimulates demand and drives the market growth.

Significant Developments in Biotechnology – The application of biotechnology in pharmaceutical science has brought a series of breakthroughs in the development of new drugs. Biotechnology can create substances that cannot be found in nature, for instance, fusion proteins and bi-specifics. The developments in biotechnology may also be able to increase the production yield of biologics, leading to substantially lower production costs.

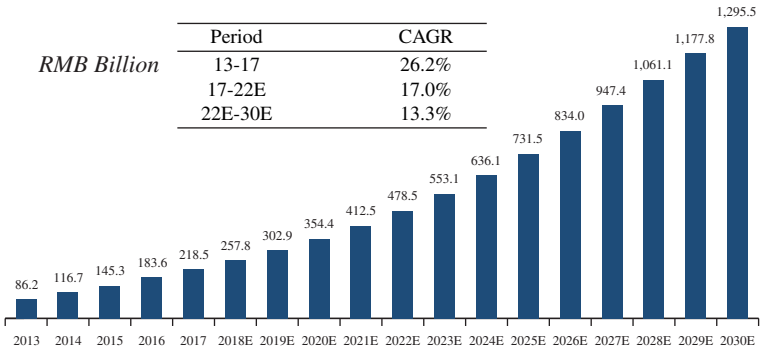
Increasing Investment in Research and Development – Biologics research and development is the key to industry growth. Discovering and developing new biologics is a long, difficult and expensive process. Global research and development investment for biologics is expected to increase in the future and expected to bring more products into the market. The continuous launch of new products will further drive the growth of the global biologics industry.

Growing Biosimilar Market – The global biosimilars market holds a huge promise for the global biologics industry. Patents for many branded biologics will expire during the next few years, allowing manufacturers to develop and seek approval for biosimilars for these agents, which are expected to improve affordability and promote wider access to critical, often lifesaving therapies. Also, cost pressures facing both the governmental and private payers create a demand for biosimilars, which are considered as a cost-effective alternative to high-priced branded biologics.

Overview of China's Biologics Market

Driven by unmet needs of the cancer patient population, increasing healthcare expenditures, favorable government policies, approval of new biologics therapies and increased investment in research and development, China's biologics market has experienced rapid growth in the past few years, exceeding that of the global biologics market, and is expected to continue its robust growth in the future. China's biologics market grew from RMB86.2 billion in 2013 in terms of sales revenue to RMB218.5 billion in 2017, representing a CAGR of 26.2% during this period. It is expected to reach RMB478.5 billion in 2022 at a CAGR of 17.0% from 2017 to 2022 and further reach RMB1,295.5 billion in 2030 at a CAGR of 13.3% from 2022 to 2030, in terms of sales revenue. The diagram below summarizes the market size of China's biologics market from 2013 to 2017 and the estimated market size of China's biologics market from 2018 to 2030.

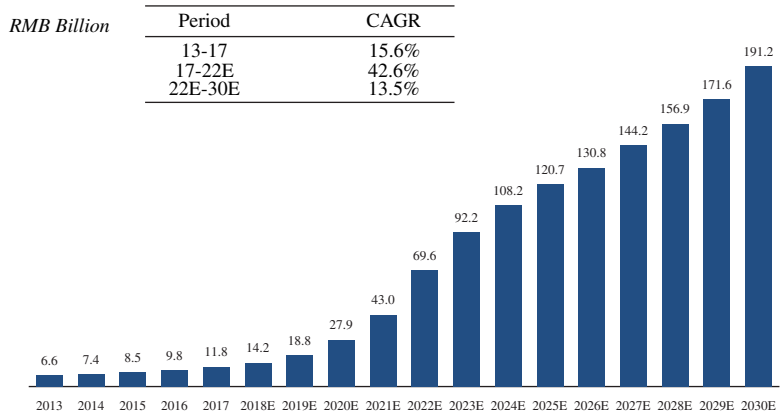
Size of China Biologics Market, 2013-2030E



Source: Frost & Sullivan

China's monoclonal antibodies (including fusion proteins) market only accounted for 5.3% of China's overall biologics market, compared with a 43.2% market share of mAbs in the global biologics market in 2017. Until 2017, there were only 26 approved mAbs in China, compared with 70 approved mAbs in the United States. According to the Frost & Sullivan Report, with the inclusion of more mAbs into the NRDL, the sales revenue of China's mAbs market is expected to grow to RMB69.6 billion in 2022, representing a CAGR of 42.6% from 2017 to 2022, and further grow to RMB191.2 billion in 2030, representing a CAGR of 13.5% from 2022 to 2030, outpacing that of China's overall biologics market in the respective period. The diagram below summarizes the market size of China's mAbs market from 2013 to 2017 and the estimated market size of China's mAbs market from 2018 to 2030.

Size of China mAbs Market, 2013-2030E



Source: Frost & Sullivan

Currently, multinational pharmaceutical companies, such as Roche and Novartis, have the majority share of the market. The domestic mAbs industry is still in its infancy and critically constrained by the current biologics research and development and manufacturing capabilities.

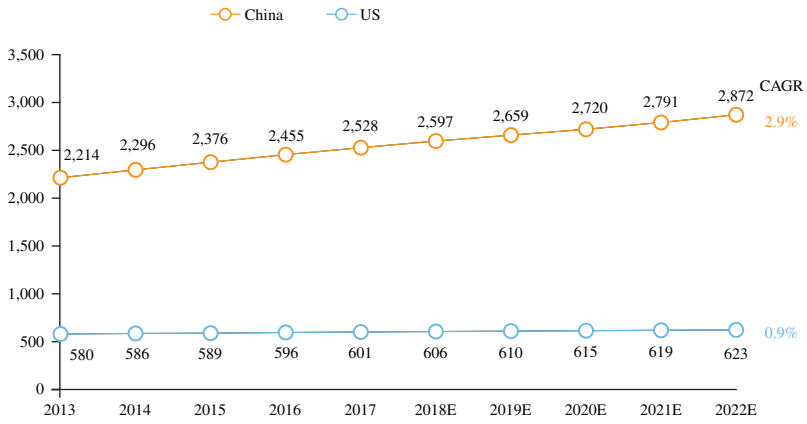
Chemotherapy is still the standard of care for cancer, but targeted therapy and immunotherapy are being used more broadly and expected to be the preferred treatment option in the future. Going forward, more efforts will be focused on research and development of innovative mAbs.

Market Trends and Key Growth Drivers of China's Biologics Market

According to the Frost & Sullivan Report, the growth of China's biologics market is driven by the following key factors:

Increasing Oncology Patient Population and Unmet Demands for Innovative Therapies – China's oncology patient population has been increasing at a faster pace compared with the United States. The incidence of cancer in China is projected to reach 4.8 million in 2022 with a CAGR of 2.6% from 2017 to 2022, while the incidence of cancer in the United States is expected to grow only at a CAGR of 0.8% from 2017 to 2022. Also, as shown in the diagram below, the mortality of all cancers in China is expected to increase at a CAGR of 2.9% from 2.2 million in 2013 to 2.9 million in 2022, outpacing that of both the United States and globally.

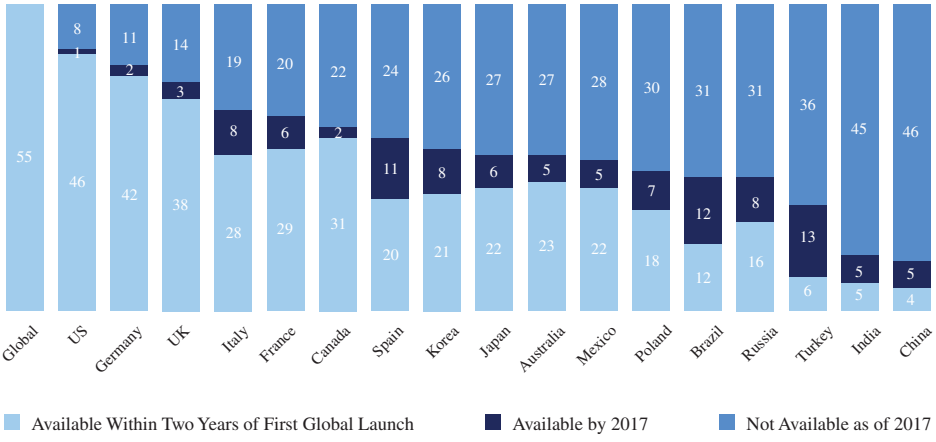
Mortality in Thousands



Source: American Cancer Society; Frost & Sullivan

Many biologics, especially mAbs, have proved to have superior efficacy for cancer treatment. However, as shown in the diagram below, out of the 55 new oncology drugs launched globally from 2012 to 2016, only nine of them are available in China in 2017. Also, many mAbs approved to treat cancer in the United States are not yet available in China.

Year 2017 Availability of 55 Oncology Medicines First Launched Globally 2012-2016



Source: Global Oncology Trends 2018, by IQVIA Institute

In addition, as shown in the diagram below, among China's ten top-selling drugs (excluding traditional Chinese medicines) in 2017, only two are biologics and none of them is an anti-cancer drug.

Ten Top-Selling Drugs in China (excluding traditional Chinese medicines), 2017

Brand Name	Generic Name	Manufacturer	Drug Type	Therapeutic Area	Sales Revenue (Billion RMB)
Lipitor	Atorvastatin	Pfizer	Chemical Drug	CVD	6.0
Plavix	Clopidogrel	Sanofi	Chemical Drug	CVD	5.6
Jia Luo Ning	Dezocine	Yangzijiang	Chemical Drug	Anesthesia	5.0
Glucobay	Acarbose	Bayer	Chemical Drug	Antidiabetic Drug	4.7
Pulmicort Respules	Budesonide	Astrazeneca	Chemical Drug	Respiratory System	4.7
Novorapid 30	Insulin Aspart	Novo Nordisk	Biologics	Antidiabetic Drug	4.2
Lantus	Insulin Glargine	Sanofi	Biologics	Antidiabetic Drug	3.9
Shen Jie	Monosialoganglioside	Qilu	Chemical Drug	CNS	3.9
Sulperazone	Cefoperazone/ Sulbactam	Pfizer	Chemical Drug	Anti-Infection	3.8
Run Zhong	Entecavir	Chia Tai-Tianqing	Chemical Drug	Anti-Infection	3.2

Source: Frost & Sullivan

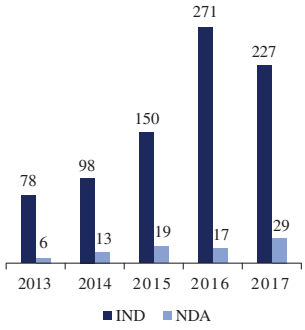
Such gap indicates that China lags far behind developed countries in terms of cancer treatments available but on the other hand demonstrates a huge potential for China's biologics market.

Increasing Investment in Biologics – The pharmaceutical industry, especially the biologics industry, is capital-intensive and requires heavy investment both in research and development and manufacturing facilities. Capital investment in China's pharmaceutical industry in 2017 was US$24.9 billion, the majority of which has been invested in biotech companies that focus on the development of biologics. Also, thousands of highly-skilled, overseas-educated biotech talent return to China every year, bringing the knowledge necessary to manufacture biologics and biosimilars and helping to narrow the technological gap between multinational companies and local competitors.

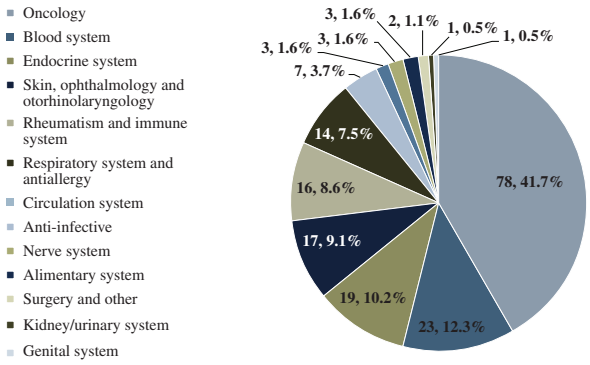
Favorable Policies – The PRC government has established a set of regulations and policies to support the development of China's biologics market. Notably, in October 2017, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), which aims to improve the regulatory regime for the biologics industry, encourage the technological innovation for new drugs and enhance the competitiveness of the biologics industry. With respect to biosimilars, the NMPA issued the Biosimilars Guideline in 2015, which outlines the regulatory framework for biosimilars. See "Regulations" for more information. Also, as a result of the series of favorable policies, NMPA has accelerated the review and approval process for innovative drugs. From 2013 to 2017, the biologics NDAs approved by NMPA increased from 6 to 29, and the biologics INDs approved increased from 78 to 227. Among all the biologics INDs approved, oncology candidates accounted for the largest proportion, with a share of 41.7%. The biologics INDs and NDAs

approved by NMPA from 2013 to 2017 and the breakdown of the biologics INDs approved by therapeutic areas in 2017 are illustrated in the diagram below.

Biologics IND and NDA Approvals by CDE, (2013-2017)



Biologics IND Approvals by Therapeutic Areas, 2017



Source: NMPA; Frost & Sullivan

Increasing Affordability – Chinese resident average disposable income has grown rapidly, increasing from US$2,976.3 in 2013 to US$3,844.1 in 2017. This trend is expected to continue, enhancing the willingness and ability of patients to pay for medications. In 2017, households with annual disposable income of over US$20,000 accounted for 44.3% of the total households in China and are expected to increase to 88.0% of the total households in China by 2025. Households with annual disposable income of over US$30,000 accounted for 28.6% of the total households in China in 2017 and are expected to increase to 65.0% of the total households in China by 2025. As more Chinese households have more spending power, they can afford more expensive medical treatments, particularly for life-threatening diseases. In addition, the latest version of the NRDL was updated in 2017 when pricing negotiation was adopted for the first time. A total of 12 innovative biologics are included as List B drugs. Such inclusion is expected to be implemented in a regular manner, suggesting that more biologics are expected to be covered by the NRDL in the future, further increasing the affordability of biologics in China. As biologics become increasingly affordable to the general public, they will be used more commonly as a treatment for oncology and auto-immune diseases. As a result, the market size of the biologics industry in China is expected to continue to grow.

Potential Off-Label Use – Off-label drug use refers to the use of pharmaceutical drugs for an unapproved indication. Many biologics approved in the United States are expected to be initially approved in China for limited indications. The physicians in China may choose to prescribe these drugs to patients based on indications approved and clinical studies performed overseas. In indications where there were no approved drugs or for patients who have exhausted standard treatments, drugs may be used off-label and generate additional market growth.

Medical Insurance in China

Medical insurance schemes provided by the PRC government, including urban and rural medical insurance, are the largest payors of pharmaceutical expenditures in China. Commercial medical insurance is also increasingly purchased by Chinese healthcare consumers to supplement their insurance coverage provided by the PRC government, and this trend is expected to continue as awareness of insurance grows.

The national reimbursement drug list (the NRDL) is managed by the Ministry of Human Resources and Social Security of China (MoHRSS).

NRDL consists of two drug catalogues, i.e., the List A catalogue and the List B catalogue. Drugs that fall into the List A catalogue are fully reimbursable and must be included in the provincial government reimbursement drug lists. Drugs with a higher price typically fall into the List B catalogue which generally require a 10% to 30% co-payment by patients. Inclusion in the NRDL typically results in a much higher sales volume and a significant sales growth despite a reduction in the price.

Historically, in terms of cancer treatment, only chemotherapy drugs were included in the NRDL, and the biologics market was essentially a self-pay market. The PRC government has made significant efforts in enhancing the affordability of biologics. The NRDL updated in February 2017 (NRDL 2017) allowed for inclusion of more expensive anti-cancer drugs. In July 2017, 36 innovative, patented drugs were incorporated into the List B catalogue after price negotiations with the PRC government, half of which were anti-cancer drugs, including five anti-cancer biologics such as Roche's rituximab (MabThera/Rituxan) and bevacizumab (Avastin). As a result of the price negotiations with the PRC government, prices of these anti-cancer drugs have been reduced by 44% on average, with the greatest price reduction of over 60%. As more biologics are listed in the NRDL, the affordability of biologics is expected to increase which allows greater market access. Given the PRC government's increasing attention on severe public health issues, it is believed that more innovative drugs will be included in the NRDL.

The price discount between biosimilars and the originator biologic will be expected to help biosimilars gain access to the NRDL, and reach a broader customer group that cannot afford or are unwilling to pay for originator biologics.

OVERVIEW OF PD-1 AND PD-L1 ANTIBODY MARKET

Overview of Immuno-Oncology Therapies

Immuno-oncology therapies stimulate the patient's own immune system to generate or augment anti-tumor immune responses in order to kill cancer cells. Immuno-oncology therapies include checkpoint inhibitors, cytokines, adoptive T-cell therapy and cancer vaccines. Nowadays, immunotherapies are increasingly used in cancer treatment.

Overview of PD-1 and PD-L1 Antibodies

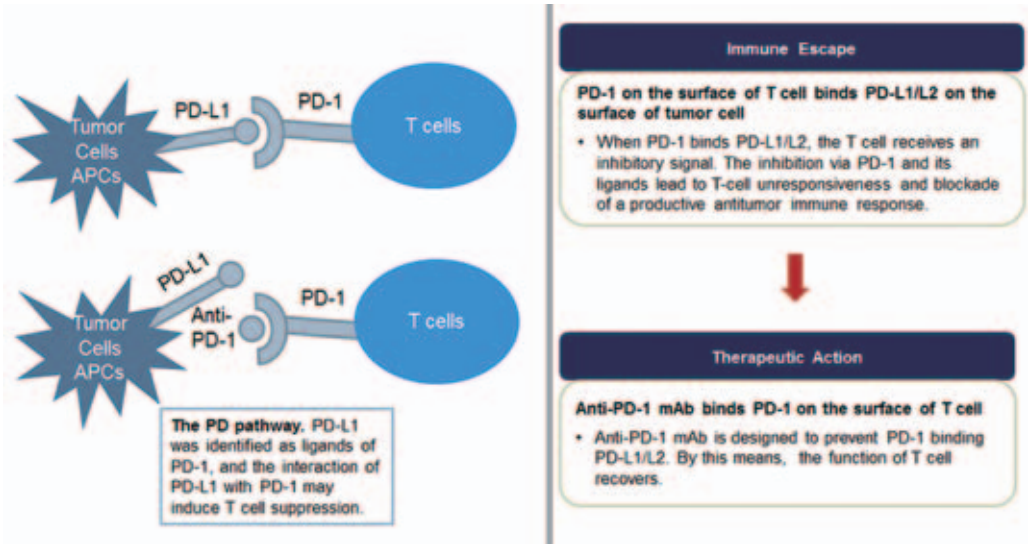
PD-1 and PD-L1 antibodies are emerging drugs for the treatment of many cancers. Compared with chemotherapy, anti-PD-1 and anti-PD-L1 therapies have the following benefits:

Increasing Indications – PD-1 and PD-L1 antibodies display impressive anti-tumor activity in multiple types of cancer. PD-1 and PD-L1 antibodies show high effectiveness on melanoma, NSCLC, other solid tumors, etc.

Fewer Side Effects – PD-1 and PD-L1 antibodies are targeted therapeutic approaches. Compared with chemotherapy, such as docetaxel, in previously treated advanced NSCLC, Grade 3 or higher adverse events were less likely with PD-1 and PD-L1 therapies.

Superior Efficacy – Therapies combining PD-1 antibodies with chemotherapy have shown superior efficacy to monotherapy in treatment of certain cancers.

The diagram below illustrates the mechanism of action of PD-1 antibodies.



Source: Frost & Sullivan

As shown in the diagram below, the FDA approved indications of PD-1 and PD-L1 antibodies have been expanding to treat more types of cancers.

Source: Global Oncology Trends 2018, by IQVIA Institute

Competitive Landscape

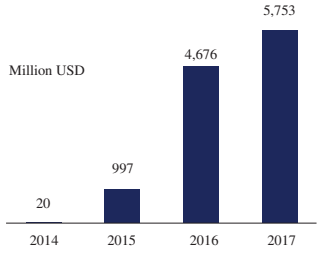
As of May 10, 2018, there are five marketed PD-1 and PD-L1 antibodies globally, including PD-1 antibodies Keytruda and Opdivo and PD-L1 antibodies Tecentriq, Bavencio and Imfinzi.

PD-1 Antibodies

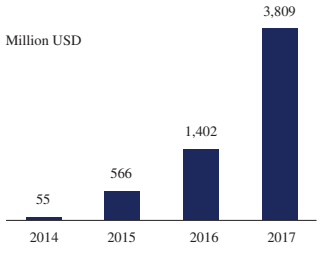
From 2014 to 2017, the global sales revenue of Opdivo increased from US$20 million to US$5,753 million, and the global sales revenue of Keytruda increased from US$55 million to US$3,809 million, due to the increasing number of approved indications and higher adoption by physicians. The diagram below summarizes the approved indications of Keytruda and Opdivo, as well as the global sales revenue of Keytruda and Opdivo from 2014 to 2017.

Drugs	Indications	Approval (MM/YY)
Opdivo® (nivolumab)	Unresectable or metastatic Melanoma	Dec-14
	Squamous Non-small Cell Lung Cancer	Mar-15
	Non-small Cell Lung Cancer	Oct-15
	Renal Cell Carcinoma	Nov-15
	Classical Hodgkin Lymphoma	May-16
	Head and Neck Squamous Cell Cancer	Nov-16
	Urothelial Carcinoma	Feb-17
	MSI-H or dMMR Metastatic Colorectal Cancer	Aug-17
	Hepatocellular Carcinoma	Sep-17
	Adjuvant Treatment for Melanoma	Dec-17
in combination with ipilimumab	BRAF V600 Wild-Type Melanoma	Oct-15
	Unresectable or Metastatic Melanoma	Jan-16
	First-line Renal Cell Carcinoma	Apr-18
Keytruda® (pembrolizumab)	Unresectable or Metastatic Melanoma	Sep-14
	Non-small Cell Lung Cancer	Oct-15
	First-line Melanoma	Dec-15
	Head and neck squamous cell cancer	Aug-16
	First-line NSCLC	Oct-16
	Classical Hodgkin Lymphoma	Mar-17
	Urothelial carcinoma	May-17
	Microsatellite Instability-High Cancer	May-17
	Gastric or Gastroesophageal Junction Cancer	Sep-17
	Recurrent or Metastatic Cervical Cancer	Jun-18
	Primary Mediastinal Large B-Cell Lymphoma	Jun-18
in combination with pemetrexed and carboplatin	Metastatic Nonsquamous NSCLC	May-17

Global Sales Revenue of Opdivo, 2014-2017



Global Sales Revenue of Keytruda, 2014-2017



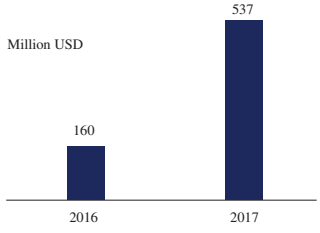
Source: FDA; Frost & Sullivan

PD-L1 Antibodies

Due to the relatively late launch of PD-L1 mAbs and limited approved indications, the global sales revenue of PD-L1 mAbs was only USD537 million in 2017. According to the Frost & Sullivan Report, the global sales revenue of PD-L1 mAbs is expected to grow in light of the expansion of indications relating to PD-L1 mAbs. The diagram below summarizes the approved indications of the three FDA-approved PD-L1 mAbs, as well as the global sales revenue of PD-L1 mAbs from 2016 to 2017.

Drugs	Indications	Approval (MM/YY)
TECENTRIQ® (atezolizumab)	Locally Advanced or Metastatic Urothelial Carcinoma (patients are not eligible for cisplatin chemotherapy)	Apr-17
	Metastatic Non-Small Cell Lung Cancer	Oct-16
	Locally Advanced or Metastatic Urothelial Carcinoma (patients with disease progression during or following any platinum-containing chemotherapy)	May-16
BAVENCIO® (avelumab)	Locally Advanced or Metastatic Urothelial Carcinoma	May-17
	Metastatic Merkel Cell Carcinoma	Mar-17
IMFINZI® (durvalumab)	Stage III Non-Small Cell Lung Cancer	Feb-18
	Locally Advanced or Metastatic Urothelial Carcinoma	May-17

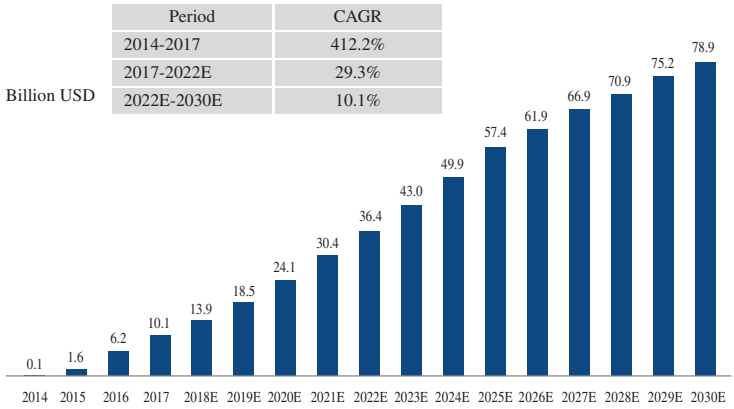
Sales Revenue of PD-L1 mAbs, 2016-2017



Source: FDA; Frost & Sullivan

In 2017, the total global sales revenue of the five PD-1 and PD-L1 antibodies approved by FDA (PD-1 inhibitors Keytruda and Opdivo and PD-L1 inhibitors Tecentriq, Bavencio and Imfinzi) was US$10.1 billion, with a CAGR of 412.2% from 2014 to 2017. Due to the expansion of new cancer indications and launch of combo therapies, the sales revenue of PD-1 and PD-L1 antibodies is expected to continue to rise in the next ten years, amounting to US$78.9 billion in 2030. The diagram below summarizes the global PD-1 and PD-L1 antibody market size from 2014 to 2017 and the estimated global PD-1 and PD-L1 antibody market size from 2018 to 2030.

Global PD-1 & PD-L1 Antibody Market Size and Forecast, 2014-2030E



Source: Frost & Sullivan

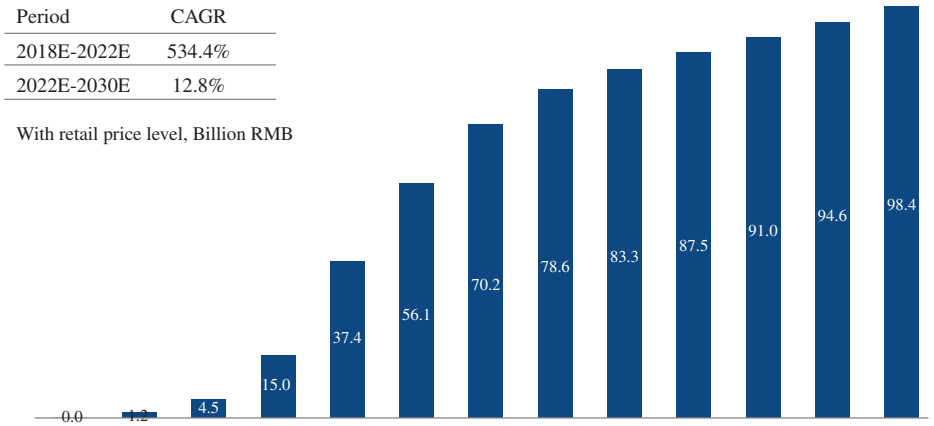
Overview of China's PD-1 and PD-L1 Antibody Market

The first few marketed drugs in a class tend to have a better performance and a larger market share because physicians will have more experience in the usage of these drugs and may be more likely to prescribe them. The longer the lead time before the entry of rivals, the higher the likelihood of achieving the first-mover advantages. In China, there are only two approved PD-1 antibodies, Bristol-Myers Squibb's Opdivo (nivolumab) and Merck's Keytruda (pembrolizumab), and there are no approved PD-L1 antibodies yet. On June 15, 2018, the NMPA approved Bristol-Myers Squibb's Opdivo (nivolumab) for the treatment of locally advanced or metastatic NSCLC after prior platinum-based chemotherapy in adult patients without EGFR or ALK genomic tumor aberration. On July 26, 2018, the NMPA approved Merck's Keytruda (pembrolizumab) for the treatment of adult patients with unresectable or metastatic melanoma following failure of one prior line of therapy. Early entrants will be able to understand which physicians may potentially become the best advocates of the newly developed PD-1 or PD-L1 antibody products and eventually improve awareness of brands and convince patients and other physicians of the efficacy of the PD-1 or PD-L1 antibody products.

As of the date of this prospectus, the retail prices of Opdivo is RMB9,260/100 mg and RMB4,591/40 mg, which are approximately 52.9% of its retail prices in the U.S., and the retail price of Keytruda is RMB17,918/100 mg in China, which is approximately 54.0% of its retail price in the U.S.

As of September 30, 2018, there were four NDAs of PD-1 antibodies under NMPA's review, including our sintilimab, Hengrui's camrelizumab, Junshi's toripalimab and Beigene's tislelizumab. The estimated PD-1 and PD-L1 antibody market size in China from 2018 to 2030 and the underlying assumptions are illustrated in the diagram and the table below.

China PD-1 & PD-L1 Antibody Market Size Forecast, 2018E-2030E



	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
PD-1/PD-L1 Addressable Patients, Thousand	3524.8	3628.1	3731.4	3836.7	3947.3	4065.5	4191.7	4329.8	4474.9	4624.8	4431.2	4546.8	4664.0
Treated Patients, Thousand	0.1	6.6	26.6	91.7	240.9	380.1	501.4	589.1	648.4	707.5	753.5	802.4	854.4
Weighted Average Annual Costs (by both MNCs and Local Brands), Thousand RMB	300.0	177.8	170.5	163.2	155.3	147.6	139.9	133.4	128.5	123.6	120.7	117.9	115.1
PD-1/PD-L1 Market, Billion RMB	0.02	1.2	4.5	15.0	37.4	56.1	70.2	78.6	83.3	87.5	91.0	94.6	98.4

Source: Frost & Sullivan

According to Frost & Sullivan, the estimated PD-1/PD-L1 antibody market size in China is based on the following key assumptions.

- PD-1 inhibitors from us, Hengrui, BeiGene and Junshi are expected to be launched in 2019, and no significant difference is anticipated between local pharmaceutical companies and their multinational peers in terms of launch time.

- The average initial annual treatment cost of PD-1 inhibitors from a multinational pharmaceutical company is about RMB300,000, while the annual treatment cost of local pharmaceutical companies is expected to be 70% of multinational brands, or roughly RMB210,000.

- That the List B catalogue of the National Reimbursement Drug List (NRDL) is expanded to include 17 anti-cancer drugs. In 2019, China's Ministry of Human Resources and Social Security (MHRSS) is expected to initiate a new round of medical insurance negotiation, and both local and multinational PD-1 inhibitors may be incorporated into the NRDL through price negotiation. The annual cost of multinational pharmaceutical products is expected to decrease by 40% while the annual cost of local products is expected to decrease by 35%. After the completion of price negotiation, annual treatment cost is expected to further decrease by 3% each year for multinational products and by 2% for local products, and it is expected that eventually there will be no significant difference in annual treatment cost between local and multinational pharmaceutical products in 2030.

- In terms of patient volume, it is estimated that local drug products will account for 70% of addressible patient population when they reach the peak of sales. In terms of sales revenue, local drug products are projected to have a 66.5% market share when they reach the peak of sales.

- Combination therapies are expected to be a major growth driver for China's PD-1/PD-L1 antibody market in the future.

- The forecast for the size of China's PD-1/PD-L1 antibody market does not take into account off-label prescription for either local or multinational drug products.

We submitted our NDA for sintilimab, our PD-1 antibody, for the treatment of r/r classical Hodgkin's lymphoma on April 3, 2018, which was accepted by the NMPA on April 16, 2018 and was granted priority review status on April 23, 2018. In addition to our completed registration trial in China to evaluate sintilimab in patients with r/r classical Hodgkin's lymphoma, we are executing a broad development program targeting an array of cancer indications including several registration trials for sintilimab, both as a monotherapy and as part of a combination therapy, and both in China and in the U.S., which is intended to support our regulatory submissions for multiple indications both in China and globally. See the section headed "Business – Our Drug Candidates – Our Most Advanced Drug Candidate: sintilimab (IBI-308) – Clinical Development Plan" for details. According to Frost & Sullivan, the estimated PD-1/PD-L1 antibody market size cannot be reliably or meaningfully broken down, either by target (i.e., PD-1 versus PD-L1) or by disease indications for the following reasons:

- Immune checkpoint PD-1 and its ligand PD-L1 are both located on the surface of cells, bind to each other, and function in the same immune pathway. As a result, PD-1 inhibitors and PD-L1 inhibitors have highly similar coverages of disease indications and addressable patient populations. Therefore, due to such high similarity, it is impractical to reliably or meaningfully break down the expected PD-1/PD-L1 market into two markets respectively for PD-1 inhibitors and PD-L1 inhibitors.

- In clinical practice, the same drug product (for instance, our sintilimab, upon requisite approvals) could be prescribed for different types of cancer patients and, therefore, the expected market size for PD-1 inhibitors and PD-L1 inhibitors cannot be reliably or meaningfully broken down by indications.

Epidemiology of PD-1/PD-L1 Antibody Sensitive Cancers in China

According to the Frost & Sullivan Report, the incidence of all cancers in China increased from 3.7 million in 2013 to 4.2 million in 2017, representing a CAGR of 3.4%. Driven by a combination of factors such as unhealthy lifestyle and increasing pollution, it is estimated that the incidence of all cancers in China will reach 4.8 million in 2022 at a CAGR of 2.6% from 2017 to 2022, and further reach 5.8 million in 2030 at a CAGR of 2.3% from 2022 to 2030. Among all types of cancers, lung, liver, stomach, colorectal, breast and esophageal cancers are the six cancers with the highest incidence in China and accounted for 20.6%, 11.7%, 10.8%, 9.8%, 7.1% and 6.8% of the total incidence in China in 2017, respectively. Moreover, the incidence of lung cancer, colorectal cancer and esophagus cancer tend to grow faster than that of other cancers in China. The incidence of non-small cell lung cancer, a sub-type of lung cancer, increased at a CAGR of 3.5% from 0.6 million in 2013 to 0.7 million in 2017. The chart below shows the incidence by cancer types in the periods indicated.

Incidence by Cancer Types in China, 2013-2030E

(in thousands)

Cancer Type	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Lung	753.6	781.4	809.6	837.1	863.9	889.8	914.7	938.5	962.0	987.0	1,014.6	1,045.0	1,081.6	1,120.6	1,156.4	1,191.1	1,225.0	1,258.7
Liver	440.2	453.4	466.1	477.6	489.1	501.4	513.7	526.4	539.8	553.6	567.7	582.1	596.9	612.0	630.5	648.2	665.0	681.6
Stomach	395.7	410.3	425.1	439.9	454.5	468.6	482.1	495.6	508.5	521.2	538.5	553.5	569.0	584.4	600.8	618.2	636.7	656.5
Colorectum	357.2	370.4	383.9	397.6	411.1	424.2	437.2	449.8	462.2	474.5	488.9	503.6	519.2	535.3	550.8	567.4	583.8	600.7
Breast	271.9	279.0	286.0	292.8	299.6	306.0	312.1	317.8	322.8	327.4	331.9	336.6	341.3	346.1	350.9	355.8	360.8	365.9
Esophageal	248.2	257.8	267.4	276.5	285.3	293.9	302.1	310.4	318.8	327.2	338.7	348.9	359.3	370.1	381.2	392.6	404.4	416.6
Brain, CNS	98.6	101.2	103.7	106.3	108.8	111.1	113.3	115.4	117.5	119.5	121.5	123.6	125.7	127.8	130.0	132.2	134.5	136.8
Cervix	100.3	102.0	103.8	105.7	107.4	109.0	110.5	112.0	113.5	114.9	116.2	117.5	118.5	119.5	120.3	121.0	121.6	122.2
Pancreas	89.2	92.2	95.2	98.3	101.4	104.5	107.4	110.3	113.2	116.0	119.1	122.6	126.4	130.3	134.2	138.2	142.5	147.1
Non-Hodgkin's lymphoma	73.8	75.9	77.9	79.8	81.8	83.5	85.3	86.9	88.5	90.1	91.8	93.8	96.0	98.0	100.0	101.9	103.8	105.8
Nasopharyngeal	43.5	44.6	45.8	46.8	47.7	48.5	49.2	49.9	50.6	51.3	52.0	52.8	53.5	54.3	55.0	55.8	56.6	57.4
Hodgkin's lymphoma	5.2	5.4	5.5	5.6	5.7	5.8	5.9	6.0	6.1	6.1	6.2	6.3	6.5	6.6	6.7	6.7	6.8	6.9
Others	794.5	830.4	865.3	901.1	939.0	974.9	1,008.4	1,040.6	1,070.2	1,092.5	1,089.7	1,078.4	1,045.2	1,035.0	1,051.6	1,086.7	1,136.7	1,200.7
Total	3,671.8	3,804.0	3,935.2	4,065.1	4,195.2	4,321.0	4,442.0	4,559.7	4,673.7	4,781.2	4,876.9	4,964.6	5,039.1	5,139.9	5,268.4	5,415.9	5,578.4	5,756.9

Source: NCCR; Frost & Sullivan

PD-1/PD-L1 antibodies are expected to cover different indications in clinical therapies. Currently available clinical data suggest that some of the most prevalent cancers in China, such as lung, stomach, liver, colorectal and esophageal cancers, are responsive to PD-1/PD-L1 antibodies. According to Frost & Sullivan, the population of all cancer patients in China in 2017 is estimated to be around 4.2 million while the population of potentially addressable patients for PD-1/PD-L1 antibodies in China in 2017, being a subset of the total cancer patient population in China, is estimated to be around 3.4 million which, as is customarily calculated in the industry, (given the relatively high correlation between a drug candidate being in Phase 3 clinical study for a particular cancer type and its success in obtaining regulatory approval for treatment of such cancer type), is the total number of cancer patients in China with any cancer indication which (i) is currently under Phase 3 clinical study for PD-1/PD-L1 antibodies in at least one arm in China, (ii) has been under completed clinical study with results used as the basis for NDA submissions in China for PD-1/PD-L1 antibodies, or (iii) has been approved to receive PD-1/PD-L1 antibody treatment either in China or globally, in each case calculated non-repetitively between indications as of September 2018. Frost & Sullivan estimates, based on a combination of its hospital interviews and data from the NCCR, that 90% of the approximately 4.2 million cancer patients in China in 2017 have received some cancer drug treatment, either alone or in addition to any non-drug treatment (such as surgery or radiotherapy), regardless of whether or how much such patients are responsive to any such drug treatment.

Globally, as of August 9, 2018, there were (i) 698 clinical trials with a PD-1 antibody as a component of combination therapy and 645 clinical trials with a PD-1 antibody as a monotherapy and (ii) 321 clinical trials with a PD-L1 antibody as a component of combination therapy and 143 clinical trials with a PD-L1 antibody as a monotherapy. In China, only two PD-1 antibodies, Bristol-Myers Squibb's Opdivo (nivolumab) and Merck's Keytruda (pembrolizumab), have received marketing approval from the NMPA, and no PD-L1 antibodies have received marketing approval from NMPA. However, three domestic companies have filed NDAs for their PD-1 antibodies, and various international and domestic PD-1 antibodies are in clinical trials for multiple indications. In China, as of August 9, 2018, there were (i) 34 clinical trials with a PD-1 antibody as a component of combination therapy and 55 clinical trials with a PD-1 antibody as a monotherapy and (ii) 17 clinical trials with a PD-L1 antibody as a component of combination therapy and 19 clinical trials with a PD-L1 antibody as a monotherapy.

Market Trends and Growth Drivers of PD-1 and PD-L1 Antibodies in China

According to the Frost & Sullivan Report, the growth of China's PD-1 and PD-L1 antibody market is driven by the following key factors:

Enlarging Patient Pool – The number of cancer patients is projected to increase at a faster pace and reach approximately 4.8 million in 2022. However, there are limited cancer treatments for the enlarging cancer patient pool. PD-1 antibodies have the ability to address such unmet clinical needs with superior efficacy and less side effects.

Emerging Combination Therapies – As PD-1 and PD-L1 antibodies are being tried in more combination therapies, it is expected that there will be more approved indications for combination therapies and greater usage of PD-1 and PD-L1 antibodies.

OVERVIEW OF CHINA'S BIOSIMILARS MARKET

Under the Biosimilars Guideline, a biosimilar product is a biological product that is approved based on a showing that it is highly similar to an NMPA-approved biological product, known as a reference product, and has no clinically meaningful differences in terms of safety and effectiveness from the reference product. Biologics are generally more expensive than chemical drugs. There are currently only three drugs approved in China that some regard as biosimilars, namely Yisaipu, Qiangke and Anbainuo, all of which are regarded by some as biosimilars to Enbrel and all of which were approved under China's new drug regulatory pathway prior to the release of the Biosimilars Guideline. In addition, because the regulatory pathways for biosimilars were established recently, and there have been no biosimilars approved under such pathways in China yet, even though there are some drug candidates with NDAs submitted under such pathways, biosimilars have not been a big part of the overall biologics market in China. With the recent establishment of regulatory pathways for biosimilars, increasing control of healthcare costs, better manufacturing capabilities, and a large number of blockbuster biologics with near-term and medium-term patent expiration, biosimilars will become a key driver of future biologics market growth.

Estimated Growth of China's Biosimilar Market

The Company's industry consultant, Frost & Sullivan, estimates a CAGR of 70.9% for the growth of China's biosimilar market from 2017 to 2022 and a CAGR of 16.8% from 2022 to 2030 and substantiates the estimated growth of China's biosimilar market with the following considerations.

Historical developments of China's biosimilar market

Frost & Sullivan substantiates the estimated growth of China's biosimilar market based on its understanding that the Chinese regulations on biosimilar drugs lag far behind those of the developed countries, such as the U.S. and the European Union, which promulgated biosimilar guidelines in 2010 and 2005, respectively. However, as early as 2005, Yisaipu (益賽普), which some regard as the biosimilar to Etanercept (Brand Name: Enbrel) given that it has the same amino acid sequence as Enbrel and is highly similar to Enbrel based on extensive analysis of its structure and function, was approved by the NMPA. Since then and prior to the release of the Biosimilars Guideline, there had been two other drugs approved by the NMPA that some regard as biosimilars also to Enbrel given their same amino acid sequences as Enbrel and their high degree of similarity to Enbrel in structure and function evidenced by extensive analysis. These events in the evolution of China's biosimilar market demonstrated the continuous efforts on biosimilar development by Chinese companies, despite a lack of formal biosimilar regulations to clearly define biosimilars in China before 2015, when the NMPA published the Biosimilars Guideline.

High revenue growth rate in the first quarter of 2018

Since the expansion of China's national reimbursement drug list, rituximab, bevacizumab and trastuzumab have become reimbursable drugs in China. Given the affordable annual treatment cost and the high patient treatment demand, the sales revenue of these three originator drugs grew significantly from the fourth quarter of 2017 to the first quarter of 2018, with a growth rate of 22.0%, 32.0% and 24.2% respectively for rituximab, bevacizumab and trastuzumab. With biosimilars' acceptable biosimilarity and interchangeability with their reference products, cheaper prices, and huge treatment demand amongst China's cancer and autoimmune disease patients, sales revenue of biosimilars is expected to ramp up fast as well.

Market Drivers of China's Biosimilar Market

For 2017, the biosimilar market in China was RMB1.2 billion in China, but it is expected to reach RMB16.9 billion in 2022 and further grow to RMB58.6 billion in 2030 given (i) the low penetration of biosimilars in China as demonstrated by global comparison, (ii) favorable government policies, (iii) barriers to acceptance of biosimilars that can be overcome, and (iv) the calculation of market size based on a bottom-up methodology. Each of these factors is further discussed below.

Global comparison

Biosimilar is a fast-growing segment in global biologics market by revenue. In 2017, global biosimilar market reached US$5.6 billion and accounted for 2.3% of the global biologics market. The global biosimilar market is expected to continue to grow to US$43.3 billion in 2022 and account for 10.7% of the global biologics market.

Although we expect China's biosimilar market to have a high growth rate of 70.9% from 2017 through 2022, both the absolute size of China's biosimilar market and its market share of China's biologics market are very small. In 2022, China's biosimilar market is expected to grow to RMB16.9 billion, accounting for only 3.5% of the China's biologics market. In addition, China's biosimilar market is expected to only account for 6.1% of the global biosimilar market.

In sum, China's biosimilar market is, and will in the short term remain, a small component of the global biosimilar market and China's biologics market, even with a reasonably high growth rate.

Favorable government policies

One of the factors that drives the growth of China's biosimilar market is the support and active promotion from the Chinese government. In 2015, the Chinese government released the Guidelines for the R&D and Evaluation of Biosimilars, which is perceived as the milestone of China's biosimilar market in recent years. Moreover, China National Basic Medical Insurance Schedule is expected to expand frequently in the future and biosimilars with affordable prices are becoming more likely to enter into reimbursable drugs list and hospital formulary list. These developments are expected to significantly drive the growth of China's biosimilar market. In October 2018, the National Medical Insurance Bureau (NMIB) announced that the List B catalogue of the National Reimbursement Drug List (NRDL) is expanded to include 17 anti-cancer drugs. In addition, the State Council Executive Meeting had reviewed and approved in principle the Opinions on Improving National Essential Drug System on August 30, 2018, pursuant to which the national essential drug list will be expanded to include 12 additional anti-oncology drugs and essential drugs will be given priority admission to NDRL. The opinions are expected to be issued and implemented in near future.

Predictable expansion of indications for biosimilars

Compared with FDA-approved indications, the NMPA only approved few indications for cancer and autoimmune monoclonal antibodies (mAbs). The on-going reform of imported drug approval process would likely expedite the approval process for biologics drug candidates. In particular, Technical Guidelines for Accepting Data from Overseas Clinical Trials of Drugs (《接受藥品境外臨床試驗資料的技術指導原則》) was promulgated on 10 July 2018, which allows the data of clinical trials conducted outside of China to be used for NDA filing in China. With this industry background, Frost & Sullivan predicts that more indications will be approved by the NMPA for the mAbs approved in the U.S. in a more timely manner.

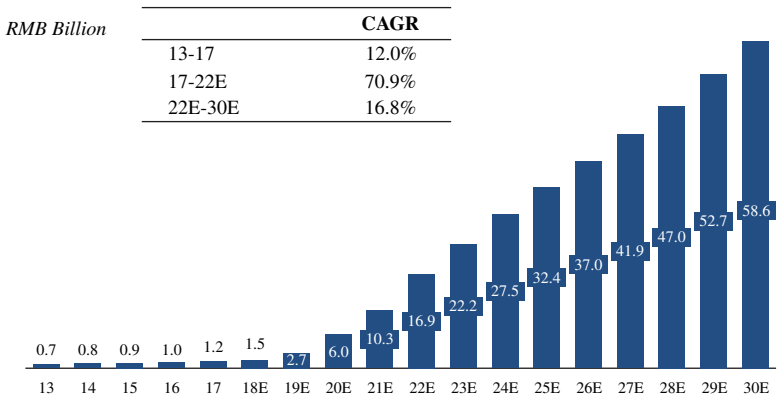
Increasing acceptance driven by market education

Unlike chemical generics, biosimilars need to demonstrate structural similarity and functional equivalence, which often require substantial efforts. A key factor that could foster patient and physician acceptance of biosimilars is professional or academic education. During education, clinical trial data will play a critical role in convincing physicians to adopt biosimilars. Over time, therefore, the existing barriers to acceptance of biosimilars are expected to be overcome.

Market Size of China's Biosimilars Market

According to the Frost & Sullivan Report, the sales revenue of China's biosimilars market is expected to grow at a CAGR of 70.9% from approximately RMB1.2 billion in 2017 to approximately RMB16.9 billion in 2022 and further grow to approximately RMB58.6 billion in 2030, representing a CAGR of 16.8% from 2022 to 2030.

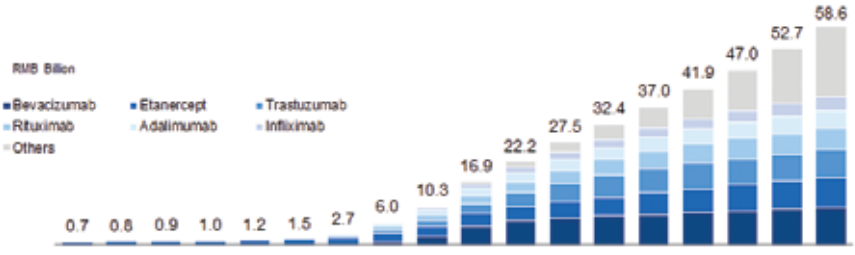
Size of China Biosimilar Market, 2013-2030E



Source: Frost & Sullivan

According to the Frost & Sullivan Report, bevacizumab, etanercept and trastuzumab will become the three largest segments of China's biosimilars market by 2030. The breakdown of China's biosimilars market by international non-proprietary names, or INN, is summarized in the diagram below.

Breakdown of China Biosimilar Market by INN, 2013-2030E



INNs	13	14	15	16	17	18E	19E	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Total	0.7	0.8	0.9	1.0	1.2	1.5	2.7	6.0	10.3	16.9	22.2	27.5	32.4	37.0	41.9	47.0	52.7	58.6
Others	-	-	-	-	-	-	0.0	0.2	0.4	0.8	1.5	2.7	4.1	5.7	8.0	11.0	14.8	18.8
Infliximab	-	-	-	-	-	-	0.0	0.3	0.6	1.0	1.4	1.9	2.2	2.6	2.9	3.2	3.5	3.8
Adalimumab	-	-	-	-	-	-	0.2	0.7	1.3	2.2	2.6	2.9	3.3	3.6	3.9	4.2	4.4	4.7
Rituximab	-	-	-	-	-	-	0.5	1.0	1.4	2.0	2.7	3.5	4.2	4.8	5.2	5.5	5.6	5.8
Trastuzumab	-	-	-	-	-	-	0.1	0.8	1.7	2.7	3.8	4.9	5.9	6.5	6.9	7.1	7.2	7.3
Etanercept	0.7	0.8	0.9	1.0	1.2	1.5	1.9	2.5	2.8	3.3	3.8	4.4	5.0	5.7	6.4	6.9	7.5	8.2
Bevacizumab	-	-	-	-	-	-	0.0	0.7	2.0	4.9	6.4	7.2	7.7	8.2	8.7	9.1	9.5	9.9

Source: Frost & Sullivan

The table below sets forth the comparison of regulations with respect to biosimilars in major markets, including China, U.S. and EU:

	China	U.S.	EU
Regulatory Framework	Guidelines for the R&D and Evaluation of Biosimilars (Trial) (《生物類似藥研發與評價技術指導原則(試行)》)	• Biologics Price Competition and Innovation Act (BPCIA)	• Guideline on Comparability of medicinal products containing biotechnology-derived proteins as drug substance: non-clinical and clinical issues • Guideline on Comparability of medicinal products containing biotechnology-derived proteins as active substance – Quality issues
Regulatory Authorization	NMPA	FDA	EMA
Registration Pathway	Biosimilar	351(k), PHS Act	Similar Biological Medicinal Products (SBMP)
Definition	• Therapeutic Biologics • Similar in terms of quality, safety and potency • Same amino acid sequence • Special treatment for PEGylated product, ADC products etc.	• Therapeutic Biologics • No clinically meaningful differences between the biological product and the reference product in terms of the safety, purity, and potency	• Biological medicine • No meaningful differences from the reference medicine in terms of quality, safety or efficacy
Exclusivity for reference biologics	No significant exclusivity for reference biologics	• In the first 4 years after marketing authorization of reference product, applicant of biosimilars can not file application to FDA • In the first 12 years after marketing authorization of reference product, biosimilars can not launch in market	• In the first 8 years after marketing authorization of reference product, company cannot cross-refer to the data in support of another marketing authorization • In the first 10 years after marketing authorization of reference product, biosimilar cannot be placed on the market, even if the medicinal product has already received a marketing authorization. If there is new indication which is registered in first 8 years and bring significant clinical benefit over existing therapies, the period will extend to 11 years
Exclusivity for biosimilars	No exclusivity for the first approved biosimilars product	1 year market exclusivity for first approved interchangeable biosimilars product	No exclusivity for the first approved biosimilars product

Source: Frost & Sullivan

We have three biosimilars candidates in clinical development stage. These three drug candidates are IBI-301, an anti-CD20 mAb and a biosimilar of rituximab; IBI-303, an anti-TNF-α mAb and biosimilar of adalimumab; and IBI-305, an anti-VEGF-A mAb and a biosimilar of bevacizumab.

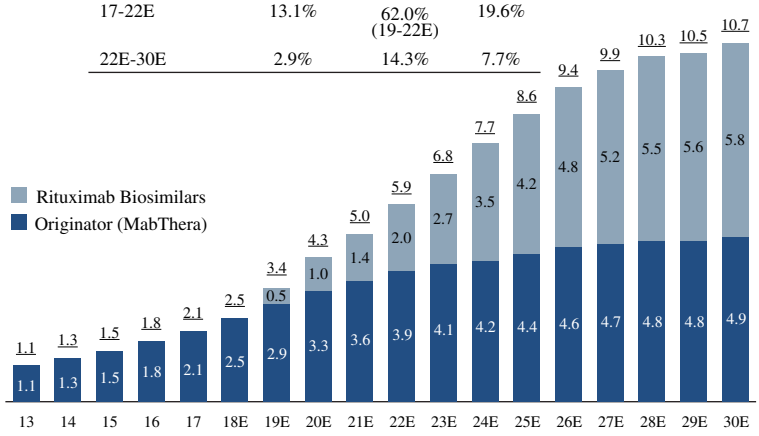
Market Size of Rituximab in China

There are currently three rituximab biosimilars in phase 3 clinical trials in China. The first rituximab biosimilar is expected to be launched in 2019. According to the Frost & Sullivan Report, the sales revenue of China's rituximab biosimilar market is expected to grow at a CAGR of 62.0% from approximately RMB0.5 billion in 2019 to approximately RMB2.0 billion in 2022 and further grow to approximately RMB5.8 billion in 2030, representing a CAGR of 14.3% from 2022 to 2030, outpacing that of its corresponding reference product. As of the date of this prospectus, the retail price of the reference drug of rituximab, i.e. MabThera/Rituxan, is RMB2,418/100 mg and RMB8,290/500 mg in China.

Breakdown of China's Rituximab Market, 2013-2030E

RMB Billion

CAGR	Originator	Biosimilars	Total
13-17	17.1%	–	17.1%
17-22E	13.1%	62.0% (19-22E)	19.6%
22E-30E	2.9%	14.3%	7.7%



Source: Frost & Sullivan

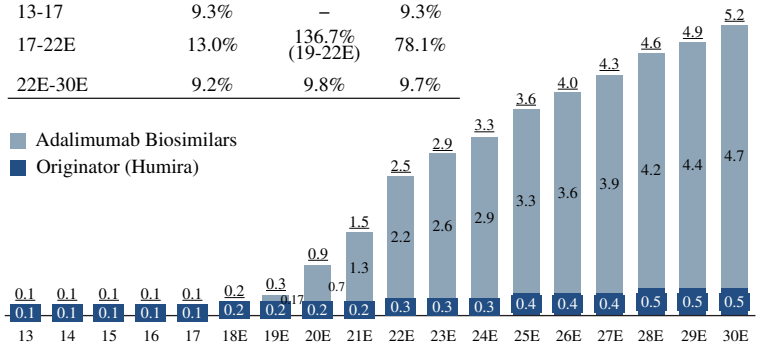
Market Size of Adalimumab in China

According to the Frost & Sullivan Report, the sales revenue of China's adalimumab biosimilar market is expected to grow at a CAGR of 136.7% from approximately RMB170 million in 2019 to approximately RMB2.2 billion in 2022 and further grow to approximately RMB4.7 billion in 2030, representing a CAGR of 9.8% from 2022 to 2030, outpacing that of its corresponding reference product. As of the date of this prospectus, the retail price of the reference drug of adalimumab, i.e. Humira, is RMB7,600/40 mg in China.

Breakdown of China Adalimumab Market, 2013-2030E

RMB Billion

CAGR	Originator	Biosimilars	Total
13-17	9.3%	–	9.3%
17-22E	13.0%	136.7% (19-22E)	78.1%
22E-30E	9.2%	9.8%	9.7%



Source: Frost & Sullivan

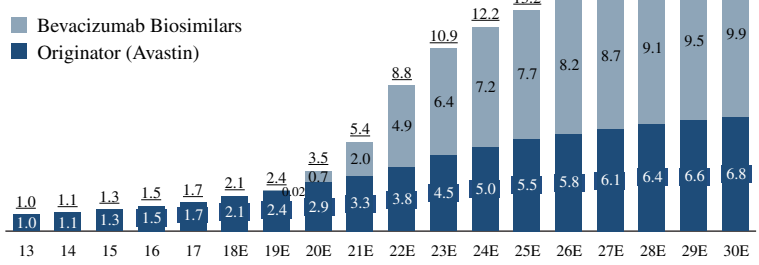
Market Size of Bevacizumab in China

According to the Frost & Sullivan Report, the sales revenue of China's bevacizumab biosimilar market is expected to grow at a CAGR of 568.5% from approximately RMB20 million in 2019 to approximately RMB4.9 billion in 2022 and further grow to approximately RMB9.9 billion in 2030 representing a CAGR of 9.1% from 2022 to 2030, outpacing that of its corresponding reference product. As of the date of this prospectus, the retail price of the reference drug of bevacizumab, i.e. Avastin, is RMB1,998/100 mg in China.

Breakdown of China Bevacizumab Market, 2013-2030E

RMB Billion

CAGR	Originator	Biosimilars	Total
13-17	13.3%	–	13.3%
17-22E	17.6%	568.5% (19-22E)	38.6%
22E-30E	7.3%	9.1%	8.3%



Source: Frost & Sullivan

See "Business" for information on the competitive landscape of our drug candidates. Also see "Regulations" for information on the laws, rules and regulations governing the biologics industry, including the biosimilars industry, in China.

We are subject to various laws and regulations of the PRC that are material to our operations and are discussed below.

LAWS AND REGULATIONS OF THE PRC

Laws and regulations of the PRC in relation to drug products

Bio-industry

To promote the development of bio-industry, the PRC government has promulgated a series of industry policies in recent years. The General Office of the State Council promulgated the Circular on Printing and Issuing Certain Policies for Promotion of Accelerated Development of Bio-industry (《關於印發促進生物產業加快發展若干政策的通知》) on June 2, 2009, clearly indicating that accelerating the development of bio-industry is a major initiative for China to grasp the strategic opportunity of the revolution of new science and technology and to build an innovation-oriented country in an all-round way in the new century. On October 9, 2010, the Guidance on the Acceleration of the Structural Adjustment of the Pharmaceutical Industry (《關於加快醫藥行業結構調整的指導意見》) was promulgated and it requests boosting the development and innovation of biological technologies and pharmaceutical agents and breakthroughs of technologies, including large-scale and high throughput gene cloning and protein expression, humanization of antibody, preparation of human antibody, new vaccine adjuvants and large-scale cell culturing and protein purification. On October 10, 2010, the State Council issued the Decision on Accelerating the Fostering and Development of Strategic Emerging Industries (《關於加快培育和發展戰略性新興產業的決定》), categorizing the bio-industry as a strategically developing emerging industry and calling for strong support to not only develop biotechnology-drived pharmaceuticals, new types of vaccines, diagnostic reagents, chemical drugs and a large variety of innovative pharmaceuticals used for the prevention and control of critical diseases, but also set higher standards for biomedical industry.

Innovation Encouragement

In March 2016, the General Office of the State Council promulgated the Guiding Opinions on Promoting the Sound Development of the Medical Industry (《關於促進醫藥產業健康發展的指導意見》), which aim to accelerate the development of innovative drugs and biological products with major clinical needs, to speed up the promotion of green and intelligent pharmaceutical production technologies, to strengthen scientific and efficient supervision, and to promote the development of industrial internationalization.

In May 2016, the General Office of the State Council promulgated 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》), which provides a detailed pilot plan for the drug marketing authorization holder mechanism, or the MAH System. Under the MAH System, drug research and development institutions or scientific research personnel in the pilot regions may serve as drug applicants for registration and submit applications for drugs clinical trials and marketing.

In October 2016, the State Council and the Communist Party of China jointly promulgated the Plan for Healthy China 2030 (《"健康中國2030"規劃綱要》), or Healthy China 2030, which aim to strengthen technical innovation by forming a Government-Industry-University-Research cooperation efficient system.

In October 2017, the General Office of the State Council promulgated the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation of 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》), or the Deepening Reform Opinions, which seek to streamline the clinical trial process and shorten the time line. The Deepening Reform Opinions provided for special fast-track approval for new drugs and devices in urgent clinical need, and drugs and devices for rare diseases.

In December 2017, the China Food and Drug Administration promulgated the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》), which further clarified that a fast track clinical trial approval or drug registration pathway will be available to innovative drugs.

In May 2018, the NMPA and PRC 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.

Drug Regulations

Drug Administration

In order to strengthen drug control and administration and ensure the quality of drugs, the Standing Committee of the National People's Congress, or the SCNPC, promulgated the Drug Administration Law (《藥品管理法》) in 1984, which was latest amended in April 2015. The Implementation Rules for the Drug Administration Law (《藥品管理法實施條例》) was released accordingly by the State Council in 2002, amended on February 6, 2016, which laid out the rules and principals of the Drug Administration Law and provides detailed implementation rules of drugs administration. The Drug Administration Law and the Implementation Rules for the Drug Administration Law have laid out the legal framework for the establishment of pharmaceutical manufacturing enterprises and pharmaceutical trading enterprises and for the administration of pharmaceutical products, including the development and manufacturing of new drugs and medicinal preparations by medical institutions. They also regulate and prescribe 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. According to the Drug Administration Law and the Implementation Rules for the Drug Administration Law, no pharmaceutical products can be produced in the PRC without a Pharmaceutical Manufacturing Permit. A local pharmaceutical manufacturer must obtain a Pharmaceutical Manufacturing Permit from one of NMPA's provincial level

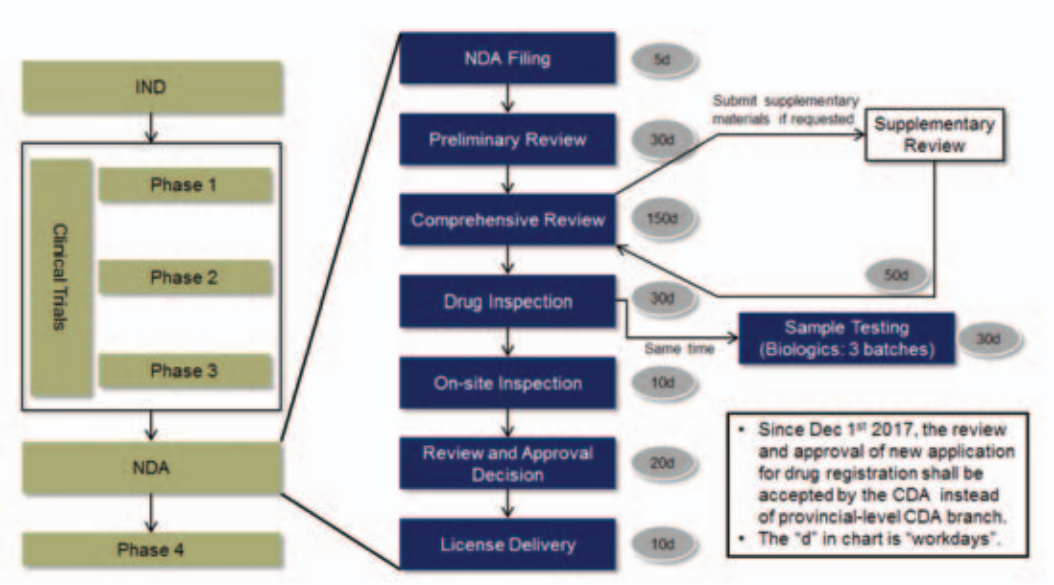
branches in order to commence production of pharmaceuticals. Prior to granting such license, the relevant government authority will inspect the manufacturer's production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and manufacturing equipment have met the standards and criteria.

Drug Registration

In July 2007, the State Food and Drug Administration released the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) which took effect on October 1, 2007. The Administrative Measures for Drug Registration mainly cover: (1) definitions of drug registration applications and regulatory responsibilities of the drug administration; (2) general requirements for drug registration; (3) clinical trials; (4) application for new drug approval, examination and approval of new drugs; (5) supplemental applications and re-registrations of drugs; (6) inspections; (7) registration standards and specifications; (8) time limit; (9) re-examination; and (10) liabilities and other supplementary provisions.

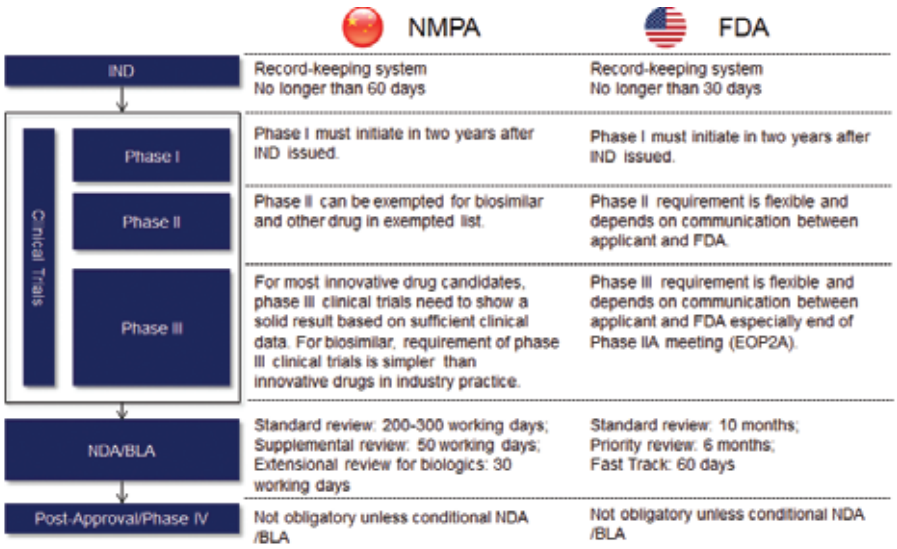
The diagrammatic flow charts below show a general drug registration approval procedures in China and a comparison of such procedures to the drug registration process and timeline in the U.S.. The steps and timelines in the diagram below is only for indicative purposes based on the common practices in the industry of relevant countries, and the actual procedures and timelines for approving a drug registration are varied from case to case.

Drug Registration Approval Procedures in China



Source: Frost & Sullivan

Comparison of Drug Registration Procedures in China and U.S.



Source: Frost & Sullivan

Regulations on the Clinical Trials and Drug Registration Procedure

- Four phases of clinical trials

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), 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 indication(s) in patients, which provides evidence and support for the design of Phase III clinical trials and builds the administered dose regime. Phase III refers to clinical trials undertaken to confirm the therapeutic effectiveness of a drug. Phase III is used to further verify a drug's therapeutic effectiveness and safety on patients with targeted indication(s), to evaluate overall benefit-risk profile of a drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug's post-market study to assess therapeutic effectiveness and adverse events when the drug is widely used, to evaluate overall benefit-risk profile of the drug when used among the general population or specific groups and to adjust the administered dose, etc.

- Approving authority for IND

According to the Administrative Measures for Drug Registration, upon completion of its pre-clinical research, a research institution must apply for approval of a clinical trial application, or IND approval, before conducting clinical trials. From May 1, 2017, the IND approval can be directly issued by the CDE on behalf of the NMPA. This delegation of authority can shorten the timeline for the application of an IND approval. In July 2018, the NMPA promulgated the Announcement of the China National Medical Products Administration

on Adjusting Evaluation and Approval Procedures for Drug Clinical Trials (《國家藥品監督管理局關於調整藥物臨床試驗審評審批程式的公告》) to further simplify the procedures for the application for an IND approval, according to which if an applicant does not receive any negative or questioning opinions from the CDE within 60 days after the CDE's acceptance of the application and fee, such applicant may proceed with conducting the drug clinical trials in accordance with the plan submitted to the CDE.

- Good Clinical Practices for Pharmaceuticals

To improve the quality of clinical trials, the State Food and Drug Administration promulgated the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) in August 2003. In February 2004, the State Food and Drug Administration issued the Circular on Measures for Determination of Eligibility of Drug Clinical Trials Institutions (Trial) (《藥物臨床試驗機構資格認定辦法(試行)》), providing that the NMPA is responsible for certification of clinical trial institutions, and that the PRC National Health and Family Planning Commission, formerly known as the Ministry of Health, is responsible for certification of clinical trial institutions within its duties. Under the Circular on Measures for Determination of Eligibility of Drug Clinical Trials Institutions (Trial), the NMPA and the PRC National Health and Family Planning Commission decide whether an institution is qualified for undertaking clinical trials for pharmaceuticals based on the evaluation of its organizational management research personnel, equipment and facilities, management structure and its standard operational rules. If all requirements are met, a GCP Certification will be issued by the NMPA and the result will be published on the NMPA's website.

- Drug Clinical Trial Registration

Upon obtaining the approval of IND and before conducting a clinical trial, applicant shall file a registration with the NMPA containing various details with a copy sent to the competent provincial drug regulatory authority. In September 2013, the China Food and Drug Administration published the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗資訊平台的公告》), providing that, instead of the aforementioned registration filed with the NMPA, all clinical trials approved by the NMPA and conducted in China shall complete clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial registration within one month after obtaining the approval of IND 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 IND, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of IND shall automatically expire.

- New Drug Application

According to the Administrative Measures for Drug Registration, after Phase I, Phase II and Phase III of the clinical trials have been completed, the applicant may apply to NMPA for approval of a new drug application, or NDA, following the procedures as below. Notably, if we plan to manufacture our drug in-house, we must obtain GMP Certification (as described later) for our manufacturing facilities in advance.

- The applicant will first submit its application materials including clinical research report and relevant supporting documents to the drug regulatory authorities at the provincial level and, at the same time, submit raw materials used for the production for the new drug, related research data and product samples to the PRC National Institutes for Food and Drug Control, or the NIFDC.

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

- The drug regulatory authority at the provincial level will then submit their preliminary opinion, inspection report and applicant's application materials to the Center for Drug Evaluation and notify the applicant of the progress.

- The drug control institute will review the medicine standards and report its opinion to the CDE and send a copy of the opinion to the applicant.

- After receiving the application materials, the CDE will arrange for pharmaceutical, medical or other professionals to conduct a technical review on the application materials and request for supplemental materials and explanations, if necessary. After completion of the technical review and if all the requirements are met, the CDE will report to the Certification Center of the NMPA and notify the applicant that it may apply for a production site inspection within six months thereafter.

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

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

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

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

According to the Administrative Measures for Drug Registration and Notice of Adjustment of Drug Registration Acceptance (《關於調整藥品註冊受理工作的公告》) in November 2017, the time limitation on each stage of review process was changed and the review of the local branch of NMPA on provincial level was cancelled in order to accelerate the NDA review and approval.

- Biosimilars Guideline

In February 2015, the China Food and Drug Administration released the Technical Guideline for the Research, Development and Evaluation of Biosimilars (Tentative) (《生物類似藥研發與評價技術指導原則(試行)》), or the Biosimilars Guideline, which outlines the regulatory framework for biosimilars in China. It sets forth the definition of biosimilars and their reference products, the basic principles for the technical review, the criteria for comparability, and the conditions under which extrapolations of indications would be permissible. According to the Biosimilars Guideline, a biosimilar drug should in principle have the same amino acid sequence as the reference product. Under the Biosimilars Guideline, the NMPA expects a structural and functional characterization of the biosimilar drug when comparing the same to the reference product. The NMPA also adopts a stepwise approach to examine comparability through comparative pharmacology data, non-clinical studies, and clinical studies.

- Anti-PD-1 and Anti-PD-L1 Monoclonal Antibodies NDA

In February 2018, the CDE promulgated the Basic Data Requirements for Anti-PD-1 and Anti-PD-L1 Monoclonal Antibodies NDA (《抗PD-1/PD-L1單抗品種申報上市的資料基本要求》) to regulate the clinical trials for anti-PD-1 and anti-PD-L1 monoclonal antibodies and the relevant regulatory approval procedures. To be more specific, it allows applicants to submit NDAs based on results from single-arm clinical trials with objective response rate, or the ORR, as the major endpoint, and to submit clinical data in stages in the form of rolling applications. It also provides that, before submission of NDAs, sponsors must propose pre-NDA meetings. The CDE decides whether to hold pre-NDA meetings and the form of such meetings according to the specific conditions of the drug candidates. Those sponsors complying with submission requirements can submit NDAs and propose the priority review simultaneously.

Drug Manufacture

- Pharmaceutical Manufacturing Permit

To manufacture pharmaceutical products in China, a pharmaceutical manufacturing enterprise must first obtain a Pharmaceutical Manufacturing Permit issued by the competent pharmaceutical administration authorities at the provincial level. Among other things, such a permit sets forth the permit number, the name, legal representative and registered address of the enterprise, the site and scope of production, issuing institution, date of issuance and effective period.

Each Pharmaceutical Manufacturing Permit issued to a pharmaceutical manufacturing enterprise is effective for a period of five years. Any enterprise holding a Pharmaceutical Manufacturing Permit is subject to review by the relevant regulatory authorities on an annual basis. Such enterprise is required to apply for renewal of such permit within six months prior to its expiry and will be subject to re-assessment by the issuing authorities in accordance with the then effective legal and regulatory requirements for the purposes of such renewal.

- GMP Certificates

The World Health Organization encourages the adoption of good manufacturing practice, or GMP, standards in pharmaceutical production in order to minimize the risks involved in any pharmaceutical production that cannot be eliminated by testing the final products.

A GMP certification certifies that a manufacturer's factory and quality management system have met certain criteria for engaging in the planning and manufacturing of drug products in various aspects, including, among others, institution and staff qualifications, production premises and facilities, equipment, production management, quality controls, production operation, maintenance of sales records and management of customer complaints and adverse event reports. In January 2011, the Ministry of Health, or MOH, issued an updated set of GMP standards (《藥品生產質量管理規範》), also known as the new GMP, to replace the previous version issued in 1998. There are also five annexes to the new GMP issued by the China Food and Drug Administration in February 2011, with detailed requirements for the manufacturing of sterile drugs, APIs, biologics, blood products and traditional Chinese medicines.

Drug Operation

The State Food and Drug Administration promulgated the Measures for the Administration of Pharmaceutical Operation Permit (《藥品經營許可證管理辦法》) on February 4, 2004 and amended on November 17, 2017, which provides the application procedures and requirements for the Pharmaceutical Operation Permit.

Pursuant to the Administrative Measures for the Supervision of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), promulgated by the State Food and Drug Administration in 2007, pharmaceutical enterprises shall be responsible for the quality of pharmaceuticals they manufacture, operate or use. A pharmaceutical enterprise shall be responsible for its purchase or sale of pharmaceuticals, including activities carried out by its staff on its behalf, and it shall not store or sell, pharmaceuticals at a place other than the

address approved by the pharmaceutical regulatory authority. Where a pharmaceutical enterprise knows or ought to know that any person operates pharmaceutical business without the permits but still supplies such person with pharmaceutical products, the pharmaceutical regulatory authority may give a disciplinary warning to the pharmaceutical enterprise, order such enterprise to rectify the non-compliance and impose a fine of no more than RMB10,000. In the case of a serious violation, such enterprise may be fined in an amount ranging from RMB10,000 to RMB30,000.

According to the Administrative Measures for Certification of Good Supply Practices (《藥品經營質量管理規範認證管理辦法》), promulgated by the State Food and Drug Administration on April 24, 2003, and the Administrative Measures Governing the Good Supply Practice of Pharmaceutical Products (《藥品經營質量管理規範》), promulgated on April 30, 2000 and amended on June 30, 2016, each retail or wholesale supplier of pharmaceutical products is required to obtain a GSP certificate from the NMPA. The GSP certificate is valid for five years and shall be renewed three months prior to its expiration date subject to a re-examination by the relevant authority.

Drug technology transfer regulations

On August 19, 2009, the State Food and Drug Administration promulgated the Administrative Regulations for Technology Transfer Registration of Drugs (《藥品技術轉讓註冊管理規定》) to standardize the registration process of drug related technology transfer, which includes the process of application for, and evaluation, examination, approval and monitoring of, drug related technology transfer. Drug related technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer and the application for drug registration by the transferee according to the Administrative Regulations for Technology Transfer Registration of Drugs. Drug related technology transfer includes new drug related technology transfer and drug production technology transfer.

Other Drug Related Regulations

- Advertising of Drug Products

Pursuant to the Criteria for Censoring Drug Advertisements (《藥品廣告審查發佈標準》), which were promulgated and came into effect in 2007, an enterprise seeking to advertise its drugs must apply for an advertisement approval code. The valid term of an advertisement approval code for pharmaceuticals is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval code shall be obtained.

- Insert Sheet and Labels of Products

According to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品説明書和標籤管理規定》) effective on June 1, 2006, the insert sheets and labels of drugs should be reviewed and approved by the NMPA. A drug insert sheet should include

the scientific data, conclusions and information concerning drug safety and efficacy in order to direct the safe and rational use of drugs. The inner label of a drug should bear information such as the drug's name, indication and function, strength, dose and usage, production date, batch number, expiration date and drug manufacturer; and the outer label of a drug should indicate information such as the drug's name, ingredients, description, indication or function, strength, dose and usage and adverse event.

- Packaging of Drug Products

According to the Measures for the Administration of Drug Packaging (《藥品包裝管理辦法》) effective in 1988, drug packaging must comply with the national and professional standards. If no national or professional standards are available, an enterprise can formulate its own standards and put into implementation after obtaining the approval of the food and drug administration bureau at provincial level. Such enterprise must reapply with the relevant authorities if it needs to change its own packaging standards. Pharmaceuticals that have not developed or received approval for, packing standards must not be sold or traded its drugs in China (except for drugs for the military).

Animal Testing Permits

According to the Regulations for the Administration of Affairs Concerning Laboratory Animals (《實驗動物管理條例》) promulgated by the State Science and Technology Commission in November 1988 as latest amended in March 2017, and Administrative Measures on the Certificate for Animal Experimentation (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 2001, performing experimentation on animals requires a certificate for use of laboratory animals.

Coverage and Reimbursement

Historically, Chinese patients paid most of their health-care expenses by themselves, which has limited the growth of sales of more expensive pharmaceutical products. However, in recent years the number of people whose medical expenses are reimbursable by government and commercial insurance schemes has increased. The PRC government has announced a plan to give every person in China access to basic healthcare by 2020.

Reimbursement under the national medical insurance program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《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 in 1998, under which all employers in urban areas are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點

的指導意見》) on July 10, 2007, under which urban residents in the pilot districts who are not employed may voluntarily participate in the urban resident basic medical insurance scheme. In addition, in January 2016, the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《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.

Participants of the national medical insurance program and their employers, if any, are required to contribute to the insurance program on a monthly basis. Program participants are eligible for full or partial reimbursement of the costs of medicines included in the National Reimbursement Drug List (《國家基本醫療保險藥品目錄》), or the NRDL.

National list of essential drugs

In 2009, MOH and other eight regulatory authorities in China issued the Measures on the Administration of the National List of Essential Drugs (《國家基本藥物目錄管理辦法》) and the Guidelines on the Implementation of the National List of Essential Drugs System (《關於建立國家基本藥物制度的實施意見》), which aim to promote the use of fairly priced essential medicines in China and ensure that the general public in China has equal access to the drugs contained in the National Essential Drugs. MOH promulgated the National List of Essential Drugs (Catalog for the Basic Healthcare Institutions) on August 18, 2009, and promulgated the amended National List of Essential Drugs on March 13, 2013. According to these regulations, basic healthcare institutions funded by government, which primarily include state-level hospitals, state-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed on the National List of Essential Drugs. The drugs listed on the National List of Essential Drugs shall be purchased through centralized tender process and shall be subject to the price control by the NDRC. Remedial drugs in the National List of Essential Drugs are all listed in the NRDL and the entire amount of the purchase price of such drugs is entitled to reimbursement.

Commercial insurance

On October 25, 2016, the State Council and Central Committee of the Communist Party of China jointly issued the Development Plan and Guidelines for Healthy China 2030 (《"健康中國"2030規劃綱要》) or the Plan. According to the Plan, China will establish a multi-level medical security system built around basic medical insurance, with other forms of insurance supplementary to the basic medical insurance, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance. The evolving medical insurance system makes innovative drugs more affordable and available to Chinese people, which creates greater opportunities to drug manufacturers that focus on the research and development of innovative drugs, such as high-cost anti-cancer therapeutics.

Price controls

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

Centralized procurement and tenders

The Guiding Opinions concerning the Urban Medical and Health Care System Reform (《關於城鎮醫藥衛生體制改革的指導意見》), promulgated in 2000, aim to regulate the procurement process of pharmaceutical products by medical institutions. The MOH and other relevant government authorities have promulgated a series of regulations and rules in order to implement the tender requirements. According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated in 2000 and the Notice on Further Improvement on the Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated in 2001, medical institutions established by government or state-owned enterprises are required to implement centralized tender procurement of drugs.

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

Insurance reform

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

According to the Main Tasks of Healthcare System Reform in 2016 (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21, 2016, the key tasks of the medical insurance reform are: (1) to advance the establishment of

the mechanisms of stable and sustainable financing and security level adjustment, (2) to advance the integration of the basic medical insurance systems for urban and rural residents, (3) to consolidate and improve the system for serious illness insurance for urban and rural residents, (4) to reform medical insurance payment methods, and (5) to advance the development of commercial health insurance.

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

According to the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (《國務院關於印發"十三五"深化醫藥衛生體制改革規劃的通知》) issued by the State Council on December 27, 2016, one of the guiding principles is to insist on the reform of the coordinated development among healthcare, medical insurance and pharmaceutical systems. The reform intends to establish a complete policy structure in healthcare by 2017, including perfecting the graded diagnosis and treatment system, establishing and improving the comprehensive supervision and modern hospital management systems, improving the universal medical insurance system, perfecting drug production and distribution policies and strengthening systems of public health service, medical service, medical insurance, drug supply, supervision and management throughout the healthcare industry.

OTHER SIGNIFICANT LAWS AND REGULATIONS OF THE PRC AFFECTING OUR BUSINESS

Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "Catalogue"), which was newly amended and promulgated by the Ministry of Commerce of the People's Republic of China (the "MOFCOM") and National Development and Reform Commission (the "NDRC") on June 28, 2017. The Catalogue, as amended, became effective on July 28, 2017 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Restricted category projects are subject to higher-level government approvals. Furthermore, foreign investors are not allowed to invest in companies engaged in industries that are listed in the prohibited category. Any industry not listed in the Catalogue is a permitted industry, and is generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations. The industry in which our PRC subsidiaries are primarily engaged does not fall into the category of restricted or prohibited foreign-invested industries.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the "Wholly Foreign-owned Enterprise Law"), which was promulgated on April 12, 1986 and amended on October 31, 2000, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was promulgated on December 12, 1990, newly amended on February 19, 2014, and became effective on March 1, 2014. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the competent commercial authorities.

On August 8, 2006, six PRC regulatory agencies, namely, MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation (the "SAT"), the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and 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》) (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 others, that a foreign investor acquiring the equity interest in a non-foreign invested PRC enterprise or purchasing and operating the asset of such enterprise by establishing a foreign invested enterprise shall comply with relevant foreign investment industry policies and shall be subject to approval by MOFCOM or its local competent authorities.

Product Liability

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the "Product Quality Law"), promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000 and August 27, 2009, the General Rules of the Civil Law of the PRC (《中華人民共和國民法總則》) promulgated on March 15, 2017 and the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), 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 injury or property damage, 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 injury or property damage of others caused by the defects in the product sold by the seller 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.

Tort Law

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 became 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 which 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.

Commercial Bribery

Pharmaceutical companies involved in a criminal investigation or administrative proceedings related to bribery are listed in the Adverse Records of Commercial Briberies by its provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry which became effective on March 1, 2014, provincial health and family planning administrative departments formulate the implementing measures for establishment of Adverse Records of Commercial Briberies. If a pharmaceutical company is listed in the Adverse Records of Commercial Briberies for the first time, its production is not required to be purchased by public medical institutions. A pharmaceutical company will not be penalized by the relevant PRC government authorities merely by virtue of having contractual relationships with distributors or third party promoters who are engaged in bribery activities, so long as such pharmaceutical company and its employees are not utilizing the distributors or third party promoters for the implementation of, or acting in conjunction with them in, the prohibited bribery activities. In addition, a pharmaceutical company is under no legal obligation to monitor the operating activities of its distributors and third party promoters, and will not be subject to penalties or sanctions by relevant PRC government authorities as a result of failure to monitor their operating activities.

Labor and Social Warfare

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 Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated 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. Wages shall not be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by national 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 national rules, and carry out regular health examination for employees engaged in work involving occupational hazards.

Social insurance

According to the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) promulgated on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

Housing fund

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and complete procedures for opening accounts for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Employee stock incentive plan

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《關於境內個人參與境外上市公司股權激勵計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 the 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 no 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 the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period no less than one year and who participate in our stock incentive plan will be subject to such regulation. In addition, the SAT has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject

to PRC individual income tax, or the IIT. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold IIT of those employees related to their share options or restricted shares, failure of which may subject such PRC subsidiaries to sanctions imposed by the tax authorities or other PRC government authorities.

Taxation

Income Tax

On March 16, 2007, the National People's Congress promulgated the Law on Enterprise Income Tax (《中華人民共和國企業所得税法》) which was amended on February 24, 2017, and on December 6, 2007, and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得税法實施條例》) (collectively, the "EIT Law"). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC.

Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Enterprises that are recognized as high and new technology enterprises in accordance with the Notice of the Ministry of Science, the Ministry of Finance (the "MOF") and the SAT on Amending and Issuing the Administrative Measures for the Determination of High and New Tech Enterprises (《科技部、財政部、國家税務總局關於修訂印發<高新技術企業認定管理辦法>的通知》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high and new technology enterprise qualification shall be three years.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知》) promulgated by the SAT on April 22, 2009 and amended on January 29, 2014 sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such 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 and the Prevention of Fiscal Evasion With Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "Double Tax Avoidance Arrangement"), 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% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) (the "Notice No. 81") issued on February 20, 2009 by the SAT, 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.

Intellectual Property

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

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》, the "Patent Law"), promulgated by the SCNPC on March 12, 1984, as latest amended on 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 latest amended on January 9, 2010, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The protection period is 20 years for invention patent and 10 years for utility model patent and 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 patentee shall pay

compensation to the patentee 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. In the event that a patent is owned by two or more co-owners without an agreement regarding the distribution of revenue generated from the exploitation of any co-owner of the patent, such revenue shall be distributed among all the co-owners.

Existing patents can become narrowed, invalid or unenforceable due to a variety of grounds, including lack of novelty, creativity, and deficiencies in patent application. In China, a patent must have novelty, creativity and practical applicability. Under the Patent Law, novelty means that before a patent application is filed, no identical invention or utility model has been publicly disclosed in any publication in China or overseas or has been publicly used or made known to the public by any other means, whether in or outside of China, nor has any other person filed with the patent authority an application that describes an identical invention or utility model and is recorded in patent application documents or patent documents published after the filing date. Creativity means that, compared with existing technology, an invention has prominent substantial features and represents notable progress, and a utility model has substantial features and represents any progress. Practical applicability means an invention or utility model can be manufactured or used and may produce positive results. Patents in China are filed with the State Intellectual Property Office, or SIPO. Normally, the SIPO publishes an application for an invention patent within 18 months after the filing date, which may be shortened at the request of applicant. The applicant must apply to the SIPO for a substantive examination within 3 years from the date of application.

Medical patent compulsory license

According to the Patent Law, for the purpose of public health, the SIPO 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.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》, the "Trademark Law"), promulgated by the SCNPC on August 23, 1982, as latest amended on 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 12 months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of 6 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

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網絡域名管理辦法》) promulgated by the Ministry of Information Industry on August 24, 2017 and effective from November 1, 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of "first come, first served" applies to domain name registration service. After completing the domain name registration, the applicant will become the holder of the registered domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay corresponding fees as required, the original domain name registry shall deregister the relevant domain name and notify the holder of deregistration in written forms.

Environmental Protection

Construction Project Environment Protection

The main PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), which was promulgated by the SCNPC on December 26, 1989 and whose amendments were made on April 24, 2014 and became effective as from January 1, 2015, the Appraising of Environmental Impacts Law of the PRC (《中華人民共和國環境影響評價法》) (the "Appraising of Environmental Impacts Law") promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 with effect from September 1, 2016, the Regulations on Administration of Construction Project Environmental Protection (《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 with effect from October 1, 2017, the Rules on the Administration of Acceptance Inspection of Construction Project Environmental Protection (《建設項目竣工環境保護驗收管理辦法》) (the "Rules on Acceptance Inspection") promulgated on December 27, 2001 and amended on December 22, 2010, the Rules on the Administration of Filing of Environmental Impact Registration Form of the Construction Project (《建設項目環境影響登記表備案管理辦法》) promulgated by the Ministry of Environmental Protection on November 16, 2016 with effect from January 1, 2017 and other relevant laws and regulations.

In accordance with the Appraising of Environmental Impacts Law and the Regulations on Administration of Construction Project Environmental Protection, the development of each construction project is subject to the environmental impact assessment which assesses the pollution the construction project is likely to produce and its impact on the environment and stipulates the preventive and curative measures. The environmental impact report and environmental impact statement of a construction project shall be submitted to the relevant environmental protection authorities for examination and approval and the State implements the record-filing administration over the environmental impact registration forms. In accordance with the Rules on Acceptance Inspection, after completion of the project, the construction entity shall also apply to the relevant environmental protection authorities for

checks and acceptance of the corresponding environmental protection facilities. The said construction project may be put into operation or use only after the completion of the said checks and acceptance procedures.

Water Pollution

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) effective on November 1, 1984 and amended on May 15, 1996 and February 28, 2008 respectively, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. No construction projects may be put into operation until the relevant environmental protection administrative authorities inspect and accept their water pollution prevention facilities.

Pollutant Discharge

The Environmental Protection Law of the PRC stipulates that the government shall implement the pollutant emission license administration system. Pollutant discharge by enterprises, public institutions and other producers and business operators is subject to relevant pollutant emission license. The Environmental Protection Law of the PRC requires any entity operating a facility that produces pollutants or other hazardous materials to adopt environmental protection measures in its operations, and to establish an environmental protection responsibility management system. Effective measures to control and properly dispose of waste gas, waste water, waste residue, dust or other waste materials shall be adopted. Any entity operating a facility that discharges pollutants shall report to and register with the competent authority pursuant to applicable regulations. According to the Environmental Protection Law of the PRC, in the event that an entity discharges pollutants in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

Hazardous Chemicals

Regulation on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) (the "Hazardous Chemicals Regulation") was promulgated by the State Council on January 26, 2002 and amended on March 2, 2011 and December 7, 2013. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC government exerts strict control over, and adopts an examination and approval system of, the manufacture and storage of hazardous chemicals.

An enterprise that stores and uses hazardous chemicals is required to appoint a qualified institution to conduct safety evaluation of its safety production conditions once every three years and to prepare the safety evaluation report accordingly. Such report shall set out the

rectification measures and plans for problem solution as to the safety production. The safety evaluation report and the implementation of the rectification measure shall be filed with the safety supervision regulatory authority.

Overseas Investment

Pursuant to the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), which was promulgated by the NDRC on December 26, 2017 and became effective on March 1, 2018, the State adopts approval administration and filing administration for overseas investment projects respectively according to different circumstances. An overseas investment project that involves any sensitive country or region or any sensitive industry is to be approved by the NDRC. Under the circumstances, with regard to an overseas investment project that has the Chinese party's investment amount of not less than USD300 million, the NDRC is in charge of the record-filing.

Pursuant to the Measures on the Administration of Overseas Investment (《境外投資管理辦法》), promulgated by the Ministry of Commerce on September 6, 2014 and became effective on October 6, 2014, overseas investments refer to possessing of non-financial enterprises abroad or acquisition of the ownership of, control over, business management right of, or other rights and interests of existing overseas non-financial enterprises by enterprises established in the PRC through newly establishment or mergers and acquisitions or other methods. Other than the overseas investments involving sensitive countries, regions or sensitive industries which are subject to approval, all other overseas investments are subject to filing administration.

Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by PBOC on June 20, 1996 and became effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterpart is obtained.

Foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

SAFE promulgated the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("SAFE Circular 19") on March 30, 2015, further expanding the extent of convertibility under direct investment. SAFE Circular 19 stipulates that the use of capital funds and exchange settlement funds by foreign-invested enterprises shall be subject to foreign exchange management regulations, and implement negative list management.

On June 9, 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "SAFE Circular 16"). The SAFE Circular 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the Regulations of the People's Republic of China on Foreign Exchange Control and relevant provisions.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations; (iii) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and (iv) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

SAFE Circular 37

On October 21, 2005, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which became effective on November 1, 2005 (the "Circular No. 75"). The notice requires PRC domestic resident natural persons to register or file with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of capital financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicle without any round-trip investment being made.

On July 4, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents 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》) (the "Circular No. 37"), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular No. 37 supersedes the Circular No. 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular No. 37, in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, according the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only register the SPV directly established or controlled (first level)". At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under the Circular No. 37, which became effective on July 4, 2014 as an attachment to Circular No. 37.

Under the relevant rules, failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 28, 2011 as the holding company of our businesses. Leveraging our platform, we have built up a pipeline of 17 antibody drug candidates in the last seven years, led by our four core products that are in late-stage clinical development in China, including sintilimab (IBI-308), our novel PD-1 antibody; IBI-305, our bevacizumab (Avastin) biosimilar; IBI-301, our rituximab (MabThera/Rituxan) biosimilar; and IBI-303, our adalimumab (Humira) biosimilar. For more information on our drug candidates, please refer to the section headed "Business."

In 2015, we entered into a strategic partnership with Eli Lilly to co-develop and co-commercialize antibody drugs including sintilimab. This strategic partnership marked the first time a monoclonal antibody drug product invented by a Chinese company was licensed to a global pharmaceutical company.

Our leader, Dr. De-Chao Michael Yu, has more than twenty years of industry and managerial experience in American and Chinese biopharmaceutical companies. Dr. Yu is an entrepreneur and inventor of over 60 patents. He invented the world's first oncolytic virus-based immunotherapeutic product, Oncorine, and also co-invented and led the development of the first domestic innovative fully human antibody-like therapeutic approved for marketing in China, Conbercept. Dr. Yu is also an expert adviser to the NMPA.

KEY MILESTONES

The following is a summary of our key business development milestones:

Year	Event
August 2011	Incorporated Innovent Suzhou, our key operating subsidiary, in Suzhou
October 2011	Raised US$5 million in Series A financing
June 2012 – May 2013	Raised approximately US$30 million in aggregate in Series B financing*
November 2012	Filed IND for IBI-301 (anti-CD20 mAb, rituximab biosimilar) in China
July 2013	Entered product discovery partnership with Adimab
December 2013	Filed INDs for IBI-303 (anti-TNF-α mAb, Humira biosimilar) in China
May 2014	Completed construction of a large-scale manufacturing facility and moved into the Group's headquarters in Suzhou
September 2014	Received IND approval for IBI-301 in China
December 2014	Filed IND for IBI-305 (anti-VEGF-A mAb, Avastin biosimilar) in China
January 2015 – December 2015	Raised US$115 million in aggregate in Series C financing*

Year	Event
March 2015	Entered into strategic partnership with Eli Lilly
December 2015	Filed IND for sintilimab (IBI-308), our first novel biologics, and received IND approval for IBI-303, in China
May 2016	Received IND approval for IBI-305
August 2016	Received IND approval for sintilimab (IBI-308) in China
August 2016 – December 2016	Raised US$262 million in Series D financing, which is the largest private financing in the biopharmaceutical sector in China*
December 2017	Filed IND for sintilimab (IBI-308) in the US
January 2018	Received IND approval for sintilimab (IBI-308) in the US
January 2018 – April 2018	Raised US$150 million in Series E financing
April 2018	Filed NDA for sintilimab (IBI-308) with NMPA, which was granted with priority review status
May 2018	Received audit of both drug substance and drug product production by a global pharmaceutical company

* Includes the contribution of capital to Innovent Suzhou.

OUR COMPANY'S MAJOR SUBSIDIARIES

The principal business activities and date of establishment and commencement of business of each member of our Group that is material to our operations during the Track Record Period are shown below:

Name of subsidiary	Principal business activities	Date of incorporation and commencement of business
Innovent Suzhou	Research, development, production and sale of biopharmaceutical products and provision of related technology transfer and consultation services	August 24, 2011
Innovent Technology	Development of new antibody drugs and intermediate products, relevant technology transfer and provision of related technology consultation and services	July 8, 2013

MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Major shareholding changes of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 28, 2011, with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares, each with an initial par value of US$0.0001. Upon its incorporation on April 28, 2011, our Company issued to Close Subscribers (Cayman) Limited, an Independent Third Party, one ordinary share with an initial par value of US$0.0001, which was subsequently transferred to Dr. De-Chao Michael Yu on the same day. On September 16, 2011, our Company made the following issuances of ordinary shares with an initial par value of US$0.0001: 1,000,000 ordinary shares to Scott Matthew Wheelwright; 699,999 ordinary shares to Dr. Yu; 300,000 ordinary shares to Keqin Chen; 300,000 ordinary shares to Wei Li; 150,000 ordinary shares to Kent Stephen Iverson; and 100,000 ordinary shares to Donald Franklin Gerson. On September 21, 2013, our Company made the following issuances of ordinary shares with an initial par value of US$0.0001: 33,333 ordinary shares to Scott Matthew Wheelwright; 33,333 ordinary shares to Chen Keqin; and 12,500 ordinary shares to Kevin Kai Wen Yang.

Please refer to the paragraph headed "Pre-IPO Investments" below for subsequent shareholding changes of our Company in connection with completion of the relevant Pre-IPO Investments.

Our Company is conducting corporate reorganization. For further details of our corporate reorganization, please refer to the paragraph headed "Corporate Reorganization" below.

Major shareholding changes of Innovent Suzhou

Innovent Suzhou was incorporated as a wholly foreign-owned enterprise with limited liability in the PRC on August 24, 2011, with an initial registered capital of US$5 million that was contributed by Innovent HK representing the entirety of its equity interest. Innovent HK further contributed to Innovent Suzhou US$10 million in installments thereby increasing its registered capital to US$15 million and such capital contribution was fully completed on November 19, 2012.

Please refer to the paragraph headed "Corporate Reorganization" for subsequent shareholding changes of Innovent Suzhou in connection with our corporate reorganization.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and until the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

PRE-IPO INVESTMENTS

1. Overview

We underwent the following rounds of pre-IPO investments (together the "**Pre-IPO Investments**"):

(a) **Round 1 Cayman Investment.** On September 16, 2011, our Company entered into a subscription agreement with Beacon Bioventures and Asia Ventures (together the "**Round 1 Cayman Investors**") pursuant to which the Round 1 Cayman Investors agreed to subscribe for 4,100,000 ordinary shares with an initial par value of US$0.0001 each at a price of US$0.01 per share for a total consideration of US$41,000. The allotment of the ordinary shares was completed on September 16, 2011.*(Note 1)*

(b) **Round 2 Cayman Investment.** On October 11, 2011, our Company entered into a securities purchase agreement with, among others, Beacon Bioventures and Asia Ventures (together the "**Round 2 Cayman Investors**"), pursuant to which (i) the Round 2 Cayman Investors agreed to subscribe for a total of 5 million Series A Preferred Shares at a price of US$1.00 per share for a total consideration of US$5 million. The allotment of the Series A Preferred Shares was completed on October 11, 2011.

(c) **Round 3 Cayman Investment.** On June 13, 2012, our Company entered into a subscription agreement with Suzhou Industrial Park, pursuant to which Suzhou Industrial Park (the "**Round 3 Cayman Investor**") agreed to subscribe for a total of 690,000 ordinary shares at a price of US$0.01 per share for a consideration of US$6,900. The allotment of the ordinary shares was completed on June 14, 2012.

(d) **Round 4 Cayman Investment.** On June 21, 2012, our Company entered into a series B convertible preferred shares purchase agreement with, among others, Lilly Asia, Beacon Bioventures and Asia Ventures (together the "**Round 4 Cayman Investors**"), pursuant to which the Round 4 Cayman Investors agreed to subscribe for a total of 9,090,912 Series B Preferred Shares at a price of US$2.20 per share for a total consideration of around US$20 million. The allotment of the Series B Preferred Shares was completed on June 21, 2012.*(Note 2)*

(e) **Round 1 JV Investment.** On November 14, 2012, Innovent Suzhou entered into a capital increase agreement with, among others, CSVC (the "**Round 1 JV Investor**") pursuant to which (i) the Round 1 JV Investor agreed to contribute to Innovent Suzhou US$5 million, US$1.5 million of which would be invested as the registered capital of Innovent Suzhou (with the remaining funds allocated to the capital reserve of Innovent Suzhou), thereby increasing the registered capital of Innovent Suzhou from US$15 million to US$16.5 million; and (ii) Innovent Suzhou would be converted from a wholly foreign-owned enterprise to a Sino-Foreign Equity Joint Venture. The capital contribution by the Round 1 JV Investor was completed on December 21, 2012.

(f) **Round 5 Cayman Investment.** On April 29, 2013, our Company entered into a series B convertible preferred shares purchase agreement with, among others, Life Sciences (the "**Round 5 Cayman Investor**"), pursuant to which the Round 5 Cayman Investor agreed to subscribe for a total of 909,091 Series B Preferred Shares at a price of US$2.20 per share for a consideration of around US$2 million.*(Note 3)* The allotment of the Series B Preferred Shares was completed on May 20, 2013.

(g) **Round 2 JV Investment.** On April 29, 2013, Innovent Suzhou entered into a capital increase agreement with Suzhou Frontline (the "**Round 2 JV Investor**") and Innovent HK, pursuant to which (i) the Round 2 JV Investor agreed to contribute to Innovent Suzhou US$3,000,000, US$900,000 of which would be invested as the registered capital of Innovent Suzhou (with the remaining funds allocated to the capital reserve of Innovent Suzhou); and (ii) as a result of the capital contributions by the Round 2 JV Investor and Innovent HK, the registered capital of Innovent Suzhou increase from US$16.5 million to US$20,062,154. The capital contributions by the Round 2 JV Investor and Innovent HK were completed on May 28, 2013.

(h) **Round 6 Cayman Investment.** On December 26, 2014, our Company entered into a series C convertible preferred shares purchase agreement with, among others, LC Fund, LC Parallel Fund, Cheng Yu Investments, TLS Beta, Hillhouse INOV, Cowin China, Lilly Asia, Beacon Bioventures, Asia Ventures and Life Sciences (together the "**Round 6 Cayman Investors**"), pursuant to which the Round 6 Cayman Investors agreed to subscribe for a total of 13,617,946 Series C Preferred Shares at a price of US$7.2375 per share for a total consideration of US$98,560,000. The allotment of the Series C Preferred Shares was completed on January 8, 2015.

(i) **Round 3 JV Investment.** On February 2, 2015, Innovent Suzhou entered into a capital increase agreement with Suzhou Frontline (the "**Round 3 JV Investor**") and Innovent HK pursuant to which (i) the Round 3 JV Investor agreed to contribute to Innovent Suzhou US$1,440,000, US$131,316 of which would be invested as the registered capital of Innovent Suzhou (with the remaining funds allocated to the capital reserve of Innovent Suzhou); and (ii) as a result of such capital contributions by Innovent HK and the Round 3 JV Investor, the registered capital of Innovent Suzhou would increase from US$20,062,154 to US$32,048,644. The capital contributions by Innovent HK and the Round 3 JV Investor were completed on March 2, 2015.

(j) **Round 7 Cayman Investment.** On August 25, 2015, our Company entered into a series B convertible preferred shares purchase agreement with, among others, CBC (the "**Round 7 Cayman Investor**"), pursuant to which CBC agreed to subscribe for a total of 1,363,636 Series B Preferred Shares at a price of US$8.96 per share for a total consideration of US$12,221,998. The allotment of the Series B Preferred Shares was completed on September 16, 2015. The proceeds were used by Innovent HK to purchase from Suzhou Frontline its equity interests in Innovent Suzhou (representing registered capital of US$900,000) pursuant to an equity transfer agreement dated August 25, 2015.

(k) **Round 8 Cayman Investment.** On December 17, 2015, our Company entered into a series C convertible preferred shares purchase agreement with, among others, Suzhou Industrial Park (the "**Round 8 Cayman Investor**") pursuant to which Suzhou Industrial Park agreed to subscribe for a total of 2,072,539 Series C Preferred Shares at a price of US$7.2375 per share for a total consideration of US$15 million. The allotment of the Series C Preferred Shares was completed on December 17, 2015.

(l) **Round 4 JV Investment.** On August 19, 2016, Innovent Suzhou entered into a capital increase agreement with Future Industry, Shenzhen Ping'an, Beijing Jun Lian and Shanghai Sa Wang (together the "**Round 4 JV Investors**") and Innovent HK, pursuant to which (i) the Round 4 JV Investors agreed to contribute to Innovent Suzhou, US$120 million, US$6,491,735 of which would be invested as the registered capital of Innovent Suzhou (with the remaining funds allocated to the capital reserve of Innovent Suzhou); (ii) as a result of such capital contributions by the Round 4 JV Investors and Innovent HK, the registered capital of Innovent Suzhou would increase from US$33,407,572 to US$47,196,802. The capital contributions by the Round 4 JV Investors and Innovent HK were completed on October 18, 2016.

(m) **Round 9 Cayman Investment.** On August 19, 2016, our Company entered into a series D convertible preferred shares purchase agreement with, among others, LC Healthcare, Highsino, TLS Beta, Hillhouse INOV and Cowin China (together the "**Round 9 Cayman Investors**") pursuant to which the Round 9 Cayman Investors agreed to subscribe for a total of 5,245,845 Series D Preferred Shares at a price of US$12.20 per share for a total consideration of US$64 million. The allotment of the Series D Preferred Shares was completed on September 26, 2016.

(n) **Round 5 JV Investment.** On November 30, 2016, Innovent Suzhou entered into a capital increase agreement with China Life, Taikang, Shanghai Chiyi and Jiaxing Xiang'an (together the "**Round 5 JV Investors**") and Innovent HK pursuant to which (i) the Round 5 JV Investors agreed to contribute to Innovent Suzhou US$78 million, US$4,219,627 of which would be invested as the registered capital of Innovent Suzhou (with the remaining funds allocated to the capital reserve of Innovent Suzhou); (ii) as a result of such capital contributions by the Round 5 JV Investors and Innovent HK, the registered capital of Innovent Suzhou would increase from US$47,196,802 to US$52,464,750. The capital contributions by the Round 5 JV Investors and Innovent HK were completed on January 18, 2017.

(o) **Round 10 Cayman Investment.** On January 30, 2018, our Company entered into a series E convertible preferred shares purchase agreement (as amended and supplemented) with, among others, investment holding companies of Capital Group Private Markets (together the "**Round 10 Cayman Investors**"), pursuant to which the Round 10 Cayman Investors agreed to subscribe for a total of 6,706,409 Series E Preferred Shares at a price of US$13.42 per share for a total consideration of US$90 million. The allotment of the Series E Preferred Shares was completed on January 31, 2018.

(p) **Round 11 Cayman Investment.** On April 4, 2018, our Company entered into a series E convertible preferred shares purchase agreement with, among others, LC Healthcare, Highsino, LAV Opus, LAV Orion, LAV Agility, TLS Beta, Hillhouse INOV, Taikang AMC HK, Cormorant Private Healthcare, Cormorant Global Healthcare, CRMA, Rock Springs, CRF Investment and Ally Bridge (together the "**Round 11 Cayman Investors**") pursuant to which the Round 11 Cayman Investors agreed to subscribe for a total of 4,470,939 Series E Preferred Shares at a price of US$13.42 per share for a total consideration of US$60 million. The allotment of the Series E Preferred Shares was completed on April 4, 2018.

Notes:

(1) Beacon Bioventures changed its name to F-Prime Capital on December 30, 2015.

(2) On July 12, 2017, Lilly Asia transferred: (a) 819,672 Series B Preferred Shares to LAV Opus for a total consideration of US$10,000,000; (b) 409,836 Series B Preferred Shares to LAV Orion for a total consideration of US$5,000,000; and (c) 1,639,344 Series B Preferred Shares to LAV Agility for a total consideration of US$20,000,000.

(3) On September 16, 2015, Life Sciences transferred 909,091 Series B Preferred Shares to CBC for a total consideration of US$8,148,002.

2. Principal Terms of the Pre-IPO Investments

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

Round	Date settled	Funds raised by the Group	Cost per share paid[(Note 1)]	Discount to the Offer Price[(Note 2)]	Corresponding valuation of the Company
Round 1 Cayman Investment	September 16, 2011	US$41,000.00	US$0.01 (per ordinary share)	99.94%	US$66,500
Round 2 Cayman Investment	October 11, 2011	US$5,000,000.00	US$1.00 (per Series A Preferred Share)	94.09%	US$13,640,000
Round 3 Cayman Investment	June 14, 2012	US$6,900.00	US$0.01 (per ordinary share)	99.94%	Not applicable
Round 4 Cayman Investment	June 21, 2012	US$20,000,006.40	US$2.20 (per Series B Preferred Share)	87.00%	US$50,000,000
Round 1 JV Investment	December 21, 2012	US$5,000,000.00	Not applicable	Not applicable	US$55,000,000
Round 5 Cayman Investment	May 20, 2013	US$2,000,000.20	US$2.20 (per Series B Preferred Share)	87.00%	US$66,873,842
Round 2 JV Investment	May 28, 2013	US$3,000,000.00	Not applicable	Not applicable	US$66,873,842
Round 6 Cayman Investment	January 8, 2015	US$98,560,000.00	US$7.2375 (per Series C Preferred Share)	57.24%	US$351,265,997

Round	Date settled	Funds raised by the Group	Cost per share paid[(Note 1)]	Discount to the Offer Price[(Note 2)]	Corresponding valuation of the Company
Round 3 JV Investment	March 2, 2015	US$1,440,000.00	Not applicable	Not applicable	US$351,265,997
Round 7 Cayman Investment	September 16, 2015	US$12,221,998.00	US$8.96 (per Series B Preferred Share)	47.05%	Not applicable
Round 8 Cayman Investment	December 17, 2015	US$15,000,000.00	US$7.2375 (per Series C Preferred Share)	57.24%	US$366,265,998
Round 4 JV Investment	October 18, 2016	US$120,000,000.00	Not applicable	Not applicable	US$872,425,611
Round 9 Cayman Investment	September 26, 2016	US$64,000,000.00	US$12.20 (per Series D Preferred Share)	27.92%	US$872,425,611
Round 5 JV Investment	January 18, 2017	US$78,000,000.00	Not applicable	Not applicable	US$969,178,626
Round 10 Cayman Investment	January 31, 2018	US$90,000,000.00	US$13.42 (per Series E Preferred Share)	20.71%	US$1,219,849,925
Round 11 Cayman Investment	April 4, 2018	US$60,000,000.00	US$13.42 (per Series E Preferred Share)	20.71%	US$1,279,849,925

Notes:

(1) Adjusted to reflect subsequent share splits and other capital reorganizations, as applicable. Cost per share paid is not applicable to the pre-IPO investments in Innovent Suzhou, which is a PRC limited liability company that does not have a share capital.

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$13.25 per Share, being the mid-point of the indicative Offer Price range of HK$12.50 to HK$14.00, on the basis that 1,118,150,710 Shares are expected to be in issue immediately upon completion of the Global Offering (including completion of the conversion of the Preferred Shares into ordinary shares to be effected prior to Listing), and assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. Discount to the offer price is not applicable to the pre-IPO investment in Innovent Suzhou.

Further terms of the Pre-IPO Investments

Lock-up period

Scott Matthew Wheelwright, Zheng Jia, Dr. De-Chao Michael Yu, Suzhou Industrial Park and Charles Leland Cooney (the "**Relevant Ordinary Shareholders**") are subject to a lock-up undertaking for a period commencing on the date of this prospectus and ending on the date specified by the Company and the managing underwriter (such period being not more than 180 days) or, if required by such underwriter, such longer period of time as is necessary to enable such underwriter to issue a research report or make a public appearance that relates to an earnings release or announcement by the Company within 15 days prior to or after the date that is 180 days after the date hereof. The Pre-IPO Investors holding Preferred Shares of the Company are subject to a lock-up undertaking for a period commencing on the date of this prospectus and ending on the date specified by the Company and the managing underwriter (such period being not more than 180 days). The Relevant Ordinary Shareholders and the Pre-IPO Investors are expected to be made subject to a lock-up period of 180 days commencing on the date of this prospectus pursuant to such lock-up undertakings.

Under the current arrangements, all existing shareholders will be subject to lock-up arrangements as follows:

	Number of Shares	Ownership percentage as at the date of this prospectus	Ownership percentage immediately after completion of the Global Offering[(1)]
Pre-IPO Investors	720,683,400	81.73%	64.45%
Individuals subject to lock-up arrangements pursuant to the Pre-IPO Investments	63,083,940	7.15%	5.64%
Remaining shareholders subject to lock-up undertakings	98,033,370	11.12%	8.84%

Note:

(1) Assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for business expansion, product development, general working capital and other general corporate purposes.
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience.
Basis of determining the consideration paid	The consideration for the Pre-IPO Investments were determined based on arm's length negotiations between us and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

3. Rights of our Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the Existing Articles, which will be replaced by our Articles of Association effective upon the Listing. Pursuant to the Investors' Rights Agreement and Right of First Refusal and Co-sale Agreement, the Pre-IPO Investors were granted certain special rights in relation to our Company. Such special rights are expected to terminate upon or before the Listing in accordance with the terms of the Investors' Rights Agreement and Right of First Refusal and Co-sale Agreement.

4. Information on our Pre-IPO Investors

F-Prime Capital is a limited partnership established under the laws of Delaware (U.S.). F-Prime Capital is a venture capital fund investing in healthcare and technology in the U.S., Europe and Asia. The general partner of F-Prime Capital is F-Prime Capital Partners Healthcare Advisors Fund II LP. F-Prime Capital Partners Healthcare Advisors Fund II LP is solely managed by Impresa Management LLC, as its general partner and investment manager.

Asia Ventures is a limited partnership established under the laws of Bermuda. It is 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.

Suzhou Industrial Park was established in 2005 as a limited liability company under the laws of the PRC. Its scope of business includes the development and management of bio-industrial parks, management of bio-industrial park-related carriers, provision of biotech-based technology service platforms, and investments in technology projects.

Lilly Asia, Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P. and LAV Biosciences Fund IV, L.P. are all Cayman exempted limited partnership funds managed by LAV Management Co., Ltd. and its affiliates ("**LAV**"). LAV is a leading Asia-based life science investment firm with portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services. LAV has offices in Shanghai and Hong Kong. LAV Opus Limited and LAV Orion Limited are both business limited liability companies incorporated under the laws of the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P. and Lilly Asia Ventures Fund III, L.P., respectively, LAV Agility Limited is a business limited liability company incorporated under the laws of the British Virgin Islands and is wholly-owned by LAV Biosciences Fund IV, L.P..

CSVC, a company established under the laws of the PRC, has a wholly-owned subsidiary, Hua Yuan Management Consultancy (Hong Kong) ("**Hua Yuan Management**"), a company incorporated under the laws of Hong Kong. Hua Yuan Management has invested in numerous technology projects involving Gerad Technologies (Suzhou) Co., Ltd. (智瑞達科技(蘇州)有限公司), Engineering and IP Advanced Technologies Ltd., HanKore Environment Technology Group (漢科環境科技集團), and Nature Bio-medicine Trading Co., Ltd (凱瑞生化科技有限公司). Hua Yuan Management's investment focuses on information technology, environmental protection technology, cultural sectors and the pharmaceutical industry. Hua Yuan is a wholly-owned subsidiary of CSVC.

Suzhou Frontline, incorporated under the laws of the PRC, and Life Sciences, incorporated under the laws of the Cayman Islands, are venture capital funds managed by 6 Dimensions Capital. 6 Dimensions Capital is a leading healthcare focused investment firm with an in-depth focus and extensive coverage across China and the United States. 6 Dimensions Capital currently has US$1.6 billion assets under management through four US dollar-denominated and three RMB-denominated funds.

LC Fund, LC Parallel Fund and LC Healthcare are Cayman Islands exempted limited partnership funds managed by Legend Capital Management Co., Ltd. and its affiliates ("**Legend Capital**"). Legend Capital is a leading growth equity investor with offices in Beijing, Shanghai, Shenzhen, and Hong Kong, focusing on high-quality growth opportunities in China, such as TMT, consumer and healthcare sectors.

Cheng Yu Investments and Highsino are investment companies registered in the British Virgin Islands whose de facto controller is Mr Liu Lin, a Hong Kong individual investor.

TLS Beta Pte. Ltd. is a company incorporated in Singapore in 2005, being an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Incorporated in 1974, Temasek is a global investment company headquartered in Singapore. Supported by its

network of international offices, Temasek owns a S$308 billion (RMB1.48 trillion) portfolio as at 31 March 2018, with significant exposure to Singapore and the rest of Asia. Temasek's investment activities are guided by four investment themes and the long term trends they represent: Transforming Economies; Growing Middle Income Populations; Deepening Comparative Advantages; and Emerging Champions. Temasek's investment strategy allows it to capture opportunities across the sectors in which they invest that help bring about a better, smarter and more connected world. Its investments in the life sciences sector include Wuxi Apptech, Celltrion, Inc., Gilead Sciences, Inc. and Thermos Fisher Scientific Inc..

Hillhouse INOV is an investment holding company incorporated under the laws of the British Virgin Islands and is wholly-owned by Hillhouse Fund II, L.P. ("**Hillhouse Fund II**"). The sole management company of Hillhouse Fund II is Hillhouse Capital Management, Ltd, an exempted company incorporated under the laws of the Cayman Islands.

Cowin China is a US$100 million private equity fund set up under the laws of the Cayman Islands. Cowin China screens high quality companies in China, helping its clients invest and nurturing fast growing portfolio companies ranging from Technology, Healthcare to Consumer. Its limited partners include Oversea Chinese Banking Corporation, Bank of Singapore, Jacky Xu, Cowin Asset Management (HK) Limited and its general partner is Cowin Capital Investment Limited.

CBC is a special purpose vehicle incorporated under the laws of Hong Kong whose shareholders are C-Bridge Healthcare Fund, L.P. and Palace Investments Pte. Ltd.. C-Bridge Healthcare Fund, L.P. is a Cayman Islands private equity fund managed by C-Bridge Capital Investment Management, Ltd., focusing on investments in the China healthcare sector.

Future Industry is a limited partnership established under the laws of the PRC, which established a wholly-owned special purpose vehicle, Future Industry Investment (BVI) Co., Limited, in the British Virgin Islands. The executive partner of Future Industry is SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司). Its main investors include the Ministry of Finance of the PRC, National Development Investment Group Co., Ltd. (國家開發投資集團有限公司), and ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司).

Shenzhen Ping'an and Jiaxing Xiang'an are controlled by Ping An Insurance (Group) Company of China, Ltd. ("**Ping An**"). Ping An was established in Shekou, Shenzhen in 1988 and was the first insurance company in China to adopt a shareholding structure. It has been developed into a personal financial services group with three core businesses-insurance, banking and investment, enjoying unparalleled growth of its core finance and internet finance businesses. Ping An's shares are listed on the Stock Exchange with stock code 2318 and on the Shanghai Stock Exchange with stock code 601318. Pingan Inno Limited and Xiangan Inno Limited are wholly-owned subsidiaries of Shenzhen Ping'an and Jiaxing Xiang'an respectively.

Beijing Jun Lian is a limited partnership established under the laws of the PRC, which manages Easy Swift Limited, a wholly-owned special purpose vehicle incorporated under the laws of the British Virgin Islands. Beijing Jun Lian is managed by Legend Capital and its affiliates. Legend Capital is a leading growth equity investor with offices in Beijing, Shanghai, Shenzhen, and Hong Kong, focusing on high-quality growth opportunities in China, such as telecommunications, media and technology (TMT), consumer and healthcare sectors.

Shanghai Sa Wang is a private equity fund based in China (Shanghai) Pilot Free Trade Zone and is managed by Shanghai Milestone Asset Management Co., Ltd., a company with multiple types of funds such as active management funds and private investment in public equity funds and a focus on industrial investments, medical investments and investment consulting.

China Life is a private equity investment fund registered in Shanghai Free Trade Zone, China, focusing on the healthcare industry. The fund is managed by China Life Private Equity Investment Limited, a wholly-owned subsidiary of China Life Investment Holding Company Limited, which is a subsidiary of China Life Insurance (Group) Company, which focuses on alternative investment and management.

Shanghai Pengfang Health Consultation Co., Ltd. (上海芃昉健康諮詢有限公司) ("**Shanghai Pengfang**"), a limited liability company established under the laws of the PRC, is wholly-owned by Taikang. Taikang in turn is wholly-owned by Taikang Insurance Group Inc, a limited liability company established under the laws of the PRC.

Shanghai Chiyi was established as a limited partnership under the laws of the PRC on December 3, 2015. Its main business is equity investment, focusing in particular on areas including telecommunications, pharmaceuticals, and financial technology. Its general partner is Shanghai Xiheng Asset Management Co., Ltd. (上海晞恒資產管理有限公司).

Capital Group Private Markets are investment holding companies which are incorporated in the Cayman Islands with limited liability. Seacliff (Cayman) Ltd. is wholly-owned by Capital International Private Equity Fund VI, L.P. ("**CIPEF VI**") and Dwyer (Cayman) Ltd. is wholly-owned by CGPE VI, L.P. ("**CGPE VI**"). CIPEF VI is a US$3 billion global emerging markets private equity fund which is managed by Capital International, Inc., a subsidiary of The Capital Group Companies ("**Capital Group**"), a leading global investment management organization with over 85 years of experience. CGPE VI is an employee vehicle of Capital Group that co-invests alongside CIPEF VI.

Taikang AMC HK is a company incorporated under the laws of Hong Kong. It is a wholly-owned subsidiary of Taikang Asset Management Company Limited ("**Taikang AMC**"). Taikang AMC is the wholly owned subsidiary of Taikang Insurance Group. Taikang AMC HK is partially responsible for Taikang AMC's overseas investment management businesses and forms an important international asset allocation channel for Taikang assets and serving overseas customers. Taikang AMC HK is licensed by the SFC for Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities and has obtained the QFII and RQFII qualifications.

Cormorant Private Healthcare, a limited partnership incorporated under the laws of Delaware, is a pooled investment vehicle organized as a private equity fund. Cormorant Global Healthcare and CRMA are exempt limited partnerships incorporated under the laws of Cayman Islands as pooled investment vehicles organized as a hedge fund and a special purpose vehicle, respectively. All three entities are managed by Cormorant Asset Management, LP, an investment adviser registered with the U.S. Securities and Exchange Commission, focusing on investments in publicly traded, crossover round, and early stage companies in the biotech, healthcare, and life science research industries.

Rock Springs, a Cayman Islands exempted limited partnership, is the direct holder and beneficial owner of interests in the Company. Rock Springs pursues an investment strategy focusing primarily on investing in companies in healthcare and healthcare-related industries.

CRF Investment is an exempted company incorporated in the Cayman Islands and is wholly-owned by China Reform Conson Soochow Overseas Fund I L.P., which is a China-related overseas investment firm specializing in industrials, TMT and healthcare sectors. China Reform Conson Soochow Overseas Fund I L.P. is mainly sponsored by China Reform Holdings Corporation Ltd ("**CRHC**") (through China Reform Investment Fund I L.P.), Qingdao Conson Development (Group) Co., Ltd. (through its wholly-owned subsidiary) and Soochow Securities Co., Ltd. (through its wholly-owned subsidiary). CRHC is a wholly state-owned investment company. Qingdao Conson Development (Group) Co., Ltd. is an investment company directly under the State-owned Assets Supervision and Administration Commission of the State Council of Qingdao City. Soochow Securities Co., Ltd. is a full-service brokerage firm listed on the Shanghai Stock Exchange with stock code 601555.

Ally Bridge is a special purpose vehicle registered with the British Virgin Islands, specializing in investing in high quality R&D driven healthcare companies in Greater China area. The entity is managed and controlled by Shanghai Kuokun Asset Management Limited, an affiliate of Ally Bridge.

5. Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans), none of the Pre-IPO Investors will hold 10% or more of the issued Shares of our Company. As a result, the Shares held by the Pre-IPO Investors, an aggregate of 720,683,400 Shares, will count towards the public float.

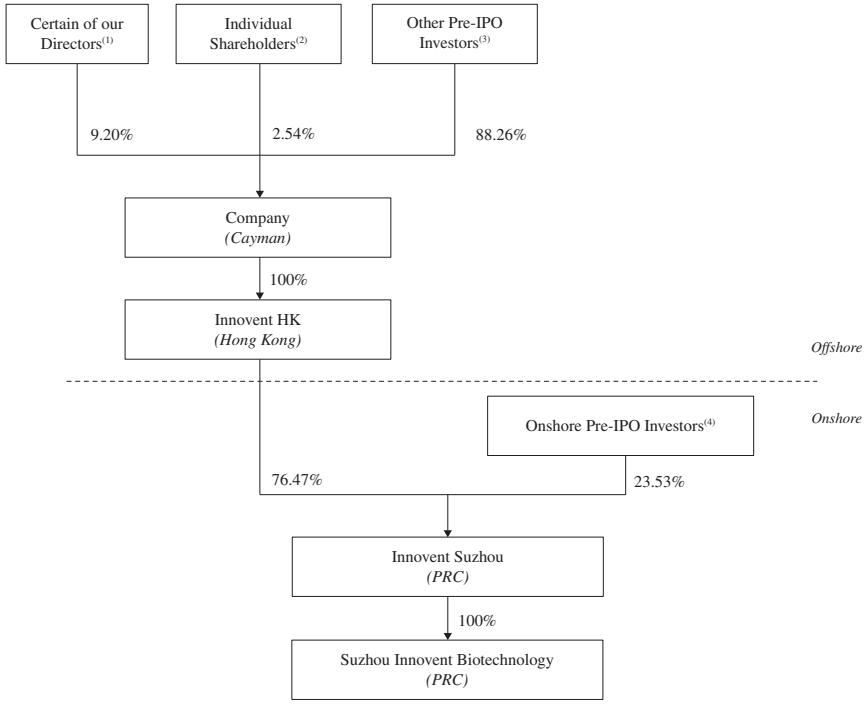
6. Compliance with Interim Guidance

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Division of the Stock Exchange in relation to the Listing and (ii) the special rights granted to the Pre-IPO Investors will terminate upon or before the Listing, the Joint Sponsors have confirmed that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010

and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017. Based on the documents provided by the Company relating to the Pre-IPO Investments, the Joint Sponsors confirm that they are not aware of any divestment rights which do not comply with the Guidance Letter HKEx-GL 43-12 under the terms of the Pre-IPO Investments.

CORPORATE REORGANIZATION

In preparation for the Global Offering and in order to streamline our corporate structure, we have effected the following reorganization (the "**Reorganization**"), described below. The following chart depicts our shareholding structure prior to the Reorganization:



Notes:

1. The Directors with interests in the Company are Dr. De-Chao Michael Yu (9.20%) and Dr. Charles Leland Cooney (0.00%).

2. These individual shareholders are Scott Matthew Wheelwright (0.61%), Chen Keqin (0.41%), Kent Stephen Iverson (0.25%), Donald Franklin Gerson (0.17%), Kevin Kai Wen Yang (0.02%), Wei Li (0.33%), Kwan Chat Ming (0.14%) and Zheng Jia (0.61%). All of these individual shareholders are Independent Third Parties and independent from each other.

3. These refer to all Pre-IPO Investors excluding Onshore Pre-IPO Investors (as defined below).

4. These are the Onshore Pre-IPO Investors (as defined below).

We underwent the following steps in effecting the Reorganization:

1. The Suzhou Equity Transfer and Cayman Share Subscription

On April 10, 2018, Innovent Suzhou, our Company, and Innovent HK entered into a framework agreement (the "**Framework Agreement**") with CSVC, Suzhou Frontline, Future Industry, Shenzhen Ping'an, Beijing Jun Lian, Shanghai Sa Wang, China Life, Taikang, Shanghai Chiyi and Jiaxing Xiang'an (together, the "**Onshore Pre-IPO Investors**") to reorganize our corporate structure in preparation for the Global Offering, pursuant to which: (i) the Onshore Pre-IPO Investors would jointly submit an application for the PRC governmental approvals with respect to their subscription of shares in our Company (the "**ODI Approvals**"); (ii) the Onshore Pre-IPO Investors (excluding CSVC) (the "**Mainstream Onshore Pre-IPO Investors**") agreed to transfer to Innovent HK all of their equity interests in Innovent Suzhou for a total consideration of US$199,440,000 (the "**Suzhou Equity Transfer**"); (iii) CSVC agreed to have its equity interests in the Group restructured in the manner illustrated in paragraph 2 below; and (iv) each Mainstream Onshore Pre-IPO Investor agreed to, after obtaining ODI Approvals, either by itself or through its wholly-owned outbound investment vehicle, subscribe for certain preferred shares of our Company at the price set forth in the table below (the "**Cayman Share Subscription**"):

	Mainstream Onshore Pre-IPO Investors	**Number of shares**	**Share subscription consideration** *(US$)*
1	Future Industry (through Future Industry Investment (BVI) Co., Limited)	4,508,148 Series D Preferred Shares	55,000,000
2	China Life	4,508,148 Series D Preferred Shares	55,000,000
3	Shanghai Sa Wang	2,458,990 Series D Preferred Shares	30,000,000
4	Shenzhen Ping'an (through Pingan Inno Limited)	1,639,327 Series D Preferred Shares	20,000,000
5	Beijing Jun Lian (through Easy Swift Limited)	1,229,495 Series D Preferred Shares	15,000,000
6	Taikang (through Shanghai Pengfang Health Consultation Co., Ltd.)	1,229,495 Series D Preferred Shares	15,000,000
7	Shanghai Chiyi	614,747 Series D Preferred Shares	7,500,000
8	Suzhou Frontline	198,963 Series C Preferred Shares	1,440,000
9	Jiaxing Xiang'an (through Xiangan Inno Limited)	40,983 Series D Preferred Shares	500,000
Total		**16,428,296**	**199,440,000**

On April 10, 2018, our Company further entered into: (a) an equity transfer agreement with each of the Mainstream Onshore Pre-IPO Investors, pursuant to which each of the Mainstream Onshore Pre-IPO Investors agreed to effect the Suzhou Equity Transfer; and (b) a convertible preferred share purchase agreement with each of the Mainstream Onshore Pre-IPO Investors pursuant to which each of the Mainstream Onshore Pre-IPO Investors agreed, after obtaining the ODI Approvals, to effect the Cayman Share Subscription.

On June 1, 2018, the Suzhou Equity Transfer came into effect and closing of the Cayman Share Subscription took place. As a post-closing arrangement after the Suzhou Equity Transfer and the Cayman Share Subscription, Innovent HK has paid the equity transfer price in relation to the Suzhou Equity Transfer to the Mainstream Onshore Pre-IPO Investors respectively, and the Mainstream Onshore Pre-IPO Investors have settled with the Company the payment of the subscription price of the relevant preferred shares in the Cayman Share Subscription.

2. The CSVC and Hua Yuan SPV Equity Transfers

Pursuant to the Framework Agreement, Innovent Suzhou, our Company, Innovent HK and CSVC agreed: (i) CSVC would cause Hua Yuan to establish a special purpose vehicle (the "**Hua Yuan SPV**") and transfer all its equity interest in Innovent Suzhou to the Hua Yuan SPV (the "**CSVC Equity Transfer**") for a consideration of US$27,872,000 (the "**CSVC Equity Transfer Price**") after CSVC obtained the ODI Approvals; (ii) Innovent HK would extend a bridge loan to Hua Yuan (the "**Hua Yuan Bridge Loan**") in the same principal amount as the CSVC Equity Transfer Price, the proceeds of which would be injected to the Hua Yuan SPV as capital subscription (the "**SPV Capital Subscription**") for its payment of the CSVC Equity Transfer Price, and the Hua Yuan SPV would pledge all its equity interests in Innovent Suzhou to Innovent HK as security for the Hua Yuan Bridge Loan (the "**Equity Pledge**"); (iii) after the SPV Capital Subscription, Hua Yuan would transfer to Innovent HK all shares of the Hua Yuan SPV (the "**Hua Yuan SPV Share Transfer**") at the transfer price equivalent to the Hua Yuan Bridge Loan (the "**Hua Yuan SPV Share Transfer Price**"), such that the Hua Yuan SPV would become a wholly owned subsidiary of Innovent HK; (iv) Innovent HK would offset the Hua Yuan SPV Share Transfer Price against the Hua Yuan Bridge Loan and the Equity Pledge would be released concurrently; and (v) concurrently upon the Hua Yuan SPV Share Transfer, Hua Yuan would subscribe for 2,272,727 Series B Preferred Shares for a consideration equivalent to the Hua Yuan Bridge Loan.

The CSVC Equity Transfer was completed on May 18, 2018 and as a post-closing arrangement, the Hua Yuan SPV, Oriza Xinda International Limited ("**Oriza Xinda**") will pay the CSVC Equity Transfer Price to CSVC. The Hua Yuan SPV Share Transfer and the issuance of the 2,272,727 Series B Preferred Shares to Oriza Xinda by the Company was completed on June 1, 2018 and as part of the post-closing arrangements, Oriza Xinda has paid the CSVC Equity Transfer Price to CSVC and CSVC has settled through Hua Yuan with the Company the subscription price of the 2,272,727 Series B Preferred Shares.

PRE-IPO SHARE INCENTIVE PLAN

On May 10, 2012, our Company adopted the Pre-IPO Share Incentive Plan in order to attract, motivate, retain and reward certain officers, employees, directors, and other eligible persons. The principal terms of the Pre-IPO Share Incentive Plan are set out in the section headed "Statutory and General Information – Equity Plans – Pre-IPO Share Incentive Plan".

On May 1, 2018, our Company issued 9,010,004 ordinary shares to Great Biono Fortune LP pursuant to an exercise of options granted under the Pre-IPO Share Incentive Plan. As of the Latest Practicable Date, 46,570,000 Shares remained outstanding pursuant to options granted under the Pre-IPO Share Incentive Plan. No further options will be granted after Listing.

SHARE SUBDIVISION

On June 12, 2018, our Shareholders resolved that, with immediate effect, each of the Company's unissued and issued 500,000,000 shares of a par value of US$0.0001 be subdivided into 10 Shares of US$0.00001 par value each so that the authorized share capital of the Company shall be US$50,000 divided into (i) 4,328,216,600 Shares, (ii) 50,000,000 Series A Preferred Shares of a par value of US$0.00001 each, (iii) 136,363,660 Series B Preferred Shares of a par value of US$0.00001 each, (iv) 158,894,480 Series C Preferred Shares of a par value of US$0.00001 each, (v) 214,751,780 Series D Preferred Shares of a par value of US$0.00001 each and (vi) 111,773,480 Series E Preferred Shares of a par value of US$0.00001 each (the "**Share Subdivision**").

The following table sets out our shareholding structure after completion of the Pre-IPO Investments, the Reorganization and the Share Subdivision and immediately after completion of the Global Offering:

Shareholders	Ordinary shares with a par value of US$0.00001 each	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series E Preferred Shares	Total shares owned as at the date of this prospectus	Ownership percentage as at the date of this prospectus[(1)]	Ownership percentage immediately after completion of the Global Offering[(1)]
Directors									
De-Chao Michael Yu	45,628,190	–	–	–	–	–	45,628,190	5.17%	4.08%
Gloria Bingqinzi Yu as trustee of the Yu Tong Family Irrevocable Trust	10,000,000	–	–	–	–	–	10,000,000	1.13%	0.89%
Charles Leland Cooney	39,090	–	–	–	–	–	39,090	0.00%	0.00%
Individual Shareholders									
Scott Matthew Wheelwright	3,708,330	–	–	–	–	–	3,708,330	0.42%	0.33%
Chen Keqin	2,458,330	–	–	–	–	–	2,458,330	0.28%	0.22%
Kent Stephen Iverson	1,500,000	–	–	–	–	–	1,500,000	0.17%	0.13%
Donald Franklin Gerson	1,000,000	–	–	–	–	–	1,000,000	0.11%	0.09%
Kevin Kai Wen Yang	125,000	–	–	–	–	–	125,000	0.01%	0.01%
Wei Li	2,000,000	–	–	–	–	–	2,000,000	0.23%	0.18%
Kwan Chat Ming	850,000	–	–	–	–	–	850,000	0.10%	0.08%
Zheng Jia	3,708,330	–	–	–	–	–	3,708,330	0.42%	0.33%

Shareholders	Ordinary shares with a par value of US$0.00001 each	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Series E Preferred Shares	Total shares owned as at the date of this prospectus	Ownership percentage as at the date of this prospectus[1]	Ownership percentage immediately after completion of the Global Offering[1]
Other Pre-IPO Investors									
Asia Ventures	21,000,000	25,000,000	22,727,280	9,395,500	–	–	78,122,780	8.86%	6.99%
F-Prime Capital	21,000,000	25,000,000	22,727,280	9,395,500	–	–	78,122,780	8.86%	6.99%
Suzhou Industrial Park	6,900,000	–	–	20,725,390	–	–	27,625,390	3.13%	2.47%
Lilly Asia	–	–	16,766,040	12,435,220	–	–	29,201,260	3.31%	2.61%
CBC	–	–	22,727,270	–	–	–	22,727,270	2.58%	2.03%
LAV Opus	–	–	8,196,720	–	–	1,496,650	9,693,370	1.10%	0.87%
LAV Orion	–	–	4,098,360	–	–	748,320	4,846,680	0.55%	0.43%
LAV Agility	–	–	16,393,440	–	–	2,993,290	19,386,730	2.20%	1.73%
LC Fund	–	–	–	33,086,050	–	–	33,086,050	3.75%	2.96%
LC Parallel Fund	–	–	–	1,456,230	–	–	1,456,230	0.17%	0.13%
Cheng Yu Investments	–	–	–	1,381,690	–	–	1,381,690	0.16%	0.12%
TLS Beta	–	–	–	34,542,270	24,589,900	5,350,680	64,482,850	7.31%	5.77%
Hillhouse INOV	–	–	–	27,633,820	12,294,950	3,613,030	43,541,800	4.94%	3.89%
Cowin China	–	–	–	5,526,760	2,458,990	–	7,985,750	0.91%	0.71%
Life Sciences	–	–	–	1,326,420	–	–	1,326,420	0.15%	0.12%
LC Healthcare	–	–	–	–	12,294,950	5,350,680	17,645,630	2.00%	1.58%
Highsino	–	–	–	–	819,660	199,190	1,018,850	0.12%	0.09%
Seacliff (Cayman) Ltd	–	–	–	–	–	65,769,750	65,769,750	7.46%	5.88%
Dwyer (Cayman) Ltd	–	–	–	–	–	1,294,340	1,294,340	0.15%	0.12%
Taikang AMC HK	–	–	–	–	–	1,112,530	1,112,530	0.13%	0.10%
Cormorant Private Healthcare	–	–	–	–	–	2,730,630	2,730,630	0.31%	0.24%
Cormorant Global Healthcare	–	–	–	–	–	862,890	862,890	0.10%	0.08%
CRMA	–	–	–	–	–	132,270	132,270	0.01%	0.01%
Rock Springs	–	–	–	–	–	2,235,470	2,235,470	0.25%	0.20%
CRF Investment	–	–	–	–	–	14,903,130	14,903,130	1.69%	1.33%
Ally Bridge	–	–	–	–	–	2,980,630	2,980,630	0.34%	0.27%
Great Biono Fortune LP	90,100,040	–	–	–	–	–	90,100,040	10.22%	8.06%
Onshore Pre-IPO Investors									
Future Industry Investment (BVI) Co., Ltd.	–	–	–	–	45,081,480	–	45,081,480	5.11%	4.03%
Shanghai Sa Wang	–	–	–	–	24,589,900	–	24,589,900	2.79%	2.20%
Pingan Inno Limited	–	–	–	–	16,393,270	–	16,393,270	1.86%	1.47%
China Life	–	–	–	–	45,081,480	–	45,081,480	5.11%	4.03%
Easy Swift Limited	–	–	–	–	12,294,950	–	12,294,950	1.39%	1.10%
Shanghai Pengfang Health Consultation Co., Ltd.	–	–	–	–	12,294,950	–	12,294,950	1.39%	1.10%
Shanghai Chiyi	–	–	–	–	6,147,470	–	6,147,470	0.70%	0.55%
Suzhou Frontline	–	–	–	1,989,630	–	–	1,989,630	0.23%	0.18%
Xiangan Inno Limited	–	–	–	–	409,830	–	409,830	0.05%	0.04%
Hua Yuan	–	–	22,727,270	–	–	–	22,727,270	2.58%	2.03%
Cornerstone investment by existing shareholders or their affiliates[1]	–	–	–	–	–	–	–	–	4.76%
Other public shareholders	–	–	–	–	–	–	–	–	16.38%
Total	210,017,310	50,000,000	136,363,660	158,894,480	214,751,780	111,773,480	881,800,710	100.00%	100.00%

Note:

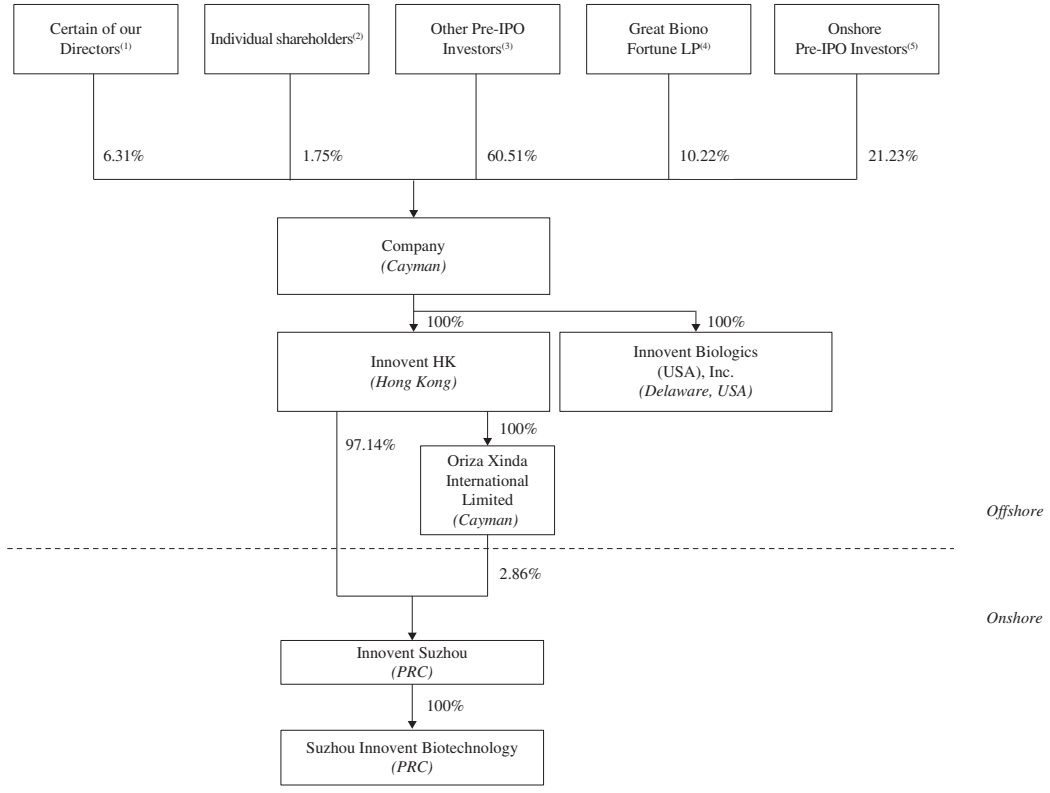
Assuming full conversion of the preferred shares (after the share subdivision) on a 1:1 basis and that the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

(1) These interests (calculated on the basis of the mid-point of the indicative Offer Price range set out in this prospectus) are held by certain of our existing shareholders or their affiliates, namely Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., Cormorant Asset Management, LP, LAV Biosciences Fund IV, L.P., Rock Springs Capital Master Fund LP and Elbrus Investments Pte. Ltd., which have entered into cornerstone investment agreements to subscribe for the Company's shares. For more details, please see the section headed "Cornerstone Investors" in this prospectus.

Immediately prior to the Listing, all preferred shares (after the share subdivision) would be converted to ordinary shares of US$0.00001 on a 1:1 basis.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart depicts our shareholding structure immediately prior to the completion of the Global Offering:



Notes:

1. The Directors with interests in the Company are Dr. De-Chao Michael Yu (6.31%) and Dr. Charles Leland Cooney who holds 39,090 Shares. Dr. Yu's interests include 10,000,000 Shares held by Gloria Bingqinzi Yu as trustee of the Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors. Dr. Yu is deemed to be interested in these Shares under the SFO.

2. These individual shareholders are Scott Matthew Wheelwright (0.42%), Chen Keqin (0.28%), Kent Stephen Iverson (0.17%), Donald Franklin Gerson (0.11%), Kevin Kai Wen Yang (0.01%), Wei Li (0.23%), Kwan Chat Ming (0.10%) and Zheng Jia (0.42%). All of these individual shareholders are Independent Third Parties and independent from each other.

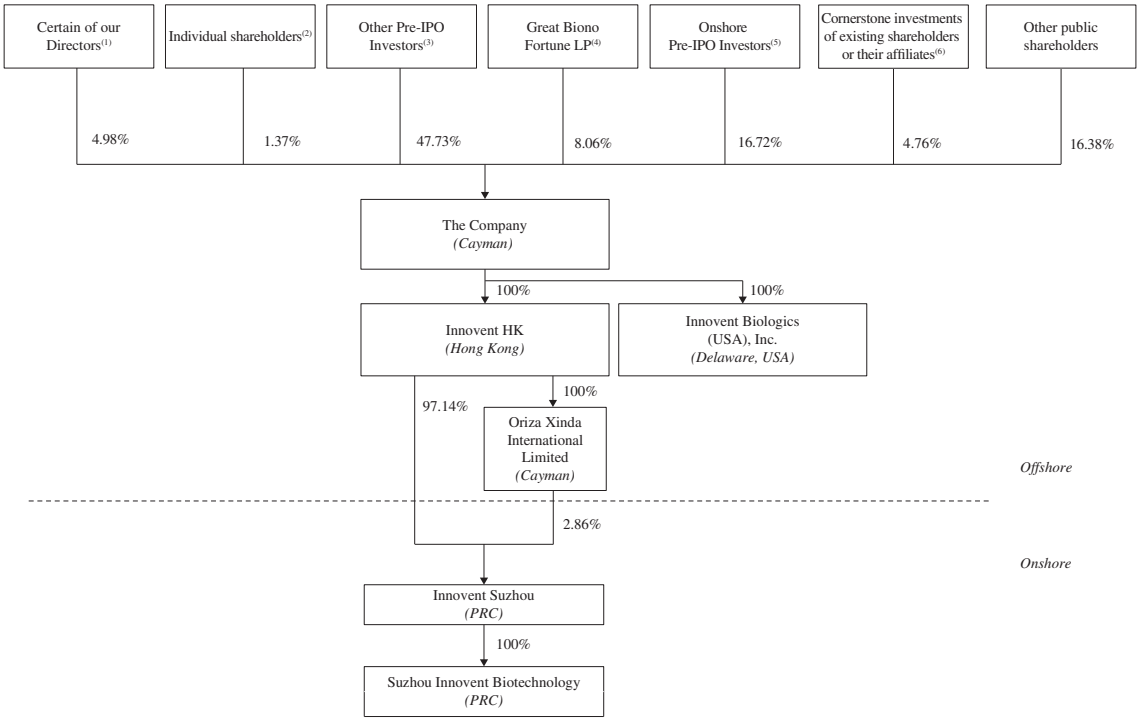
3. These refer to all Pre-IPO Investors excluding Onshore Pre-IPO Investors (as defined in the paragraph headed "– Corporate Reorganization").

4. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. De-Chao Michael Yu is beneficially interested in 59,511,000 Shares and Mr. Ronald Hao Xi Ede is beneficially interested in 9,539,040 Shares, in their capacity as limited partners of Great Biono Fortune LP. The beneficial interest in the remaining 21,050,000 Shares held by Great Biono Fortune LP is held by 10 individual employees of the Company in their capacity as limited partners, including Dr. Qinwei Zhou, our Chief Operation Officer, who is beneficially interested in 5,000,000 of these remaining Shares.

5. These are the Onshore Pre-IPO Investors (as defined in the paragraph headed "– Corporate Reorganization").

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart depicts our shareholding structure immediately following the completion of the Global Offering, assuming that all of the Preferred Shares have been converted to ordinary shares on a 1:1 basis and the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans:



Notes:

1. The Directors with interests in the Company are Dr. De-Chao Michael Yu (4.98%) and Dr. Charles Leland Cooney who holds 39,090 Shares. Dr. Yu's aggregate shareholding in the Company is 145,728,230 Shares (13.03%), including 45,628,190 (4.08%) directly held Shares, 10,000,000 Shares (0.89%) held by Gloria Bingqinzi Yu as trustee of the Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors, and 90,100,040 (8.06% Shares held by Great Biono Fortune LP, the general partner of which is wholly-owned by Dr. Yu (please refer to Note 3 below for more information on Great Biono Fortune LP). Dr. Yu is a substantial shareholder of the Company for the purposes of the Listing Rules. For more details regarding Dr. Yu's interests, please refer to the section headed "Substantial Shareholders" in this prospectus.

2. These individual shareholders are Scott Matthew Wheelwright (0.33%), Chen Keqin (0.22%), Kent Stephen Iverson (0.13%), Donald Franklin Gerson (0.09%), Kevin Kai Wen Yang (0.01%), Wei Li (0.18%), Kwan Chat Ming (0.08%), and Zheng Jia (0.33%). All of these individual shareholders are Independent Third Parties and independent from each other.

3. These refer to all Pre-IPO Investors excluding Onshore Pre-IPO Investors (as defined in the paragraph headed "– Corporate Reorganization").

4. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. De-Chao Michael Yu is beneficially interested in 59,511,000 Shares and Mr. Ronald Hao Xi Ede is beneficially interested in 9,539,040 Shares, in their capacity as limited partners of Great Biono Fortune LP. The beneficial interest in the remaining 21,050,000 Shares held by Great Biono Fortune LP is held by 10 individual employees of the Company in their capacity as limited partners, including Dr. Qinwei Zhou, our Chief Operation Officer, who is beneficially interested in 5,000,000 of these remaining Shares.

5. These are the Onshore Pre-IPO Investors (as defined in the paragraph headed "– Corporate Reorganization").

6. These interests (calculated on the basis of the mid-point of the indicative Offer Price range set out in this prospectus) are held by certain of our existing shareholders or their affiliates, namely Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., Cormorant Asset Management, LP, LAV Biosciences Fund IV, L.P., Rock Springs Capital Master Fund LP and Elbrus Investments Pte. Ltd., which have entered into cornerstone investment agreements to subscribe for the Company's shares. For more details, please see the section headed "Cornerstone Investors" in this prospectus.

PRC LEGAL COMPLIANCE

M&A Rules

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

Our PRC Legal Adviser is of the opinion that prior CSRC approval for this offering is not required because (i) Innovent Suzhou was incorporated as a foreign-invested enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules, and (ii) Innovent Technology was incorporated as Innovent Suzhou's wholly-owned subsidiary without involving acquisition of the equity or assets of a "PRC domestic Company", as such term is defined under the M&A Rules.

Circular 37

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

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

Our PRC legal adviser further advises that there still remains uncertainty as to interpretation and implementation of SAFE Circular 37 and relevant implementation rules at practice level. Based on an interview performed by us and our PRC legal adviser with the competent branch of SAFE, our PRC legal adviser is of the view that, Dr. De-Chao Michael Yu, Ph. D. and other individual shareholders of the Company as of the Latest Practicable Date are not required to conduct registration pursuant to the requirements of SAFE Circular 37 and relevant implementation rules.

OVERVIEW OF OUR COMPANY

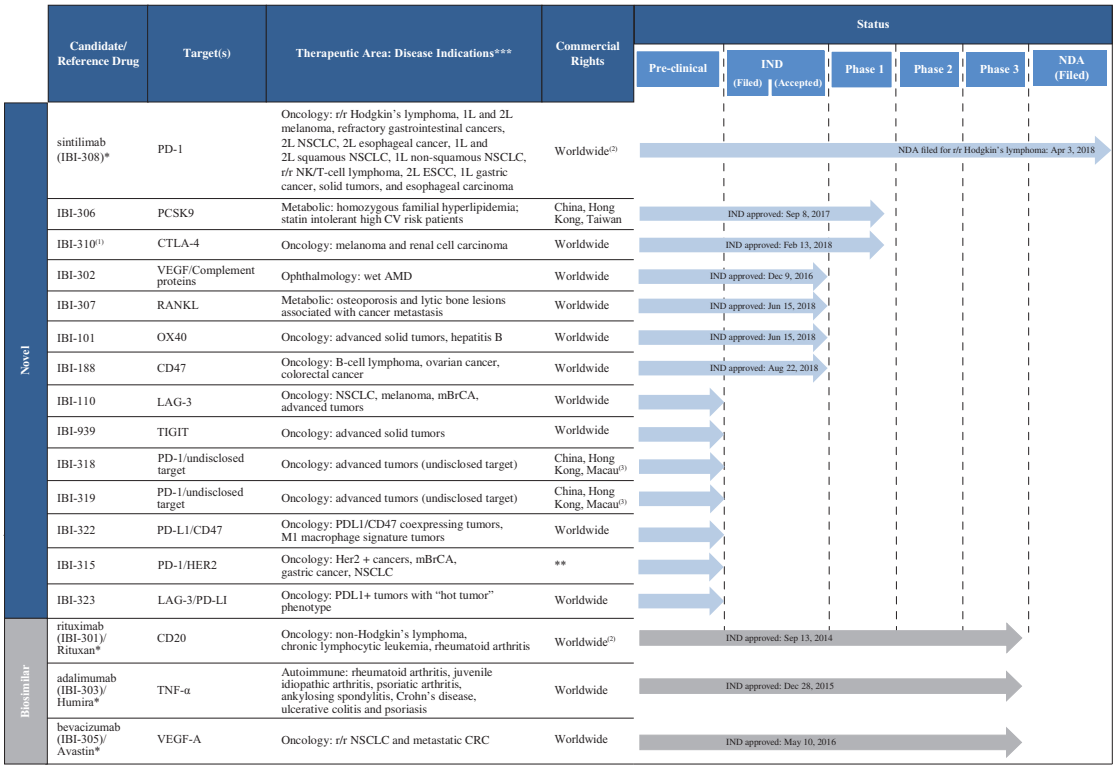
Our mission is to create a world-class China-based biopharmaceutical company that develops and commercializes high quality drugs that are affordable to ordinary people. We were founded in 2011 by our visionary leader, Dr. De-Chao Michael Yu, a highly accomplished scientist, innovator and entrepreneur. Dr. Yu invented the world's first oncolytic virus-based immunotherapeutic product, Oncorine, and also co-invented and led the development of the first domestic innovative fully human antibody-like therapeutic approved for marketing in China, Conbercept. We are committed to innovation in drug development and have instituted global quality standards for every aspect of our Company's business and operations.

China's biologics market has experienced rapid growth in the past few years, more so than the global biologics market, and we believe it will continue its robust growth in the future, driven by the unmet needs of the cancer patient population, increasing healthcare expenditures, favorable government policies, the approval of new biologics therapies and increased investment in research and development. According to Frost & Sullivan, a leading global market research and consulting firm, China's biologics market grew from RMB86.2 billion in 2013 in terms of market size to RMB218.5 billion in 2017, representing a CAGR of 26.2% during the period.

To capitalize on this tremendous market opportunity, we have developed our fully-integrated platform which boasts advanced research, discovery, development, manufacturing and commercialization capabilities. These capabilities have enabled us to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other biologics in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing both the speed of development and the likelihood of success while at the same time reducing the cost of development. This platform is the engine that drives our business and allows us to manage the risks of drug development.

Leveraging our platform, we have built up a pipeline of 17 antibody drug candidates in the last seven years, led by our four core products that are in late-stage clinical development in China, including sintilimab (IBI-308), our novel PD-1 antibody; IBI-305, our bevacizumab (Avastin) biosimilar; IBI-301, our rituximab (MabThera/Rituxan) biosimilar; and IBI-303, our adalimumab (Humira) biosimilar. In addition, out of our pipeline of 17 antibody drug candidates, six are in clinical development in China, including two designated as Category 1 drug candidates, which are sintilimab and IBI-306, and four designated as Category 2 drug candidates, including IBI-310, IBI-301, IBI-303 and IBI-305. Moreover, four other drug candidates in our pipeline, IBI-302, IBI-307, IBI-101 and IBI-188, received IND approval in December 2016, June 2018, June 2018 and August 2018, respectively.

The following chart shows the robust pipeline of both early-stage and late-stage antibody drug candidates that we are developing in China in different therapeutic areas:



	Candidate/ Reference Drug	Target(s)	Therapeutic Area: Disease Indications***	Commercial Rights	Status
Novel	sintilimab (IBI-308)*	PD-1	Oncology: r/r Hodgkin's lymphoma, 1L and 2L melanoma, refractory gastrointestinal cancers, 2L NSCLC, 2L esophageal cancer, 1L and 2L squamous NSCLC, 1L non-squamous NSCLC, r/r NK/T-cell lymphoma, 2L ESCC, 1L gastric cancer, solid tumors, and esophageal carcinoma	Worldwide(2)	NDA filed for r/r Hodgkin's lymphoma: Apr 3, 2018
Novel	IBI-306	PCSK9	Metabolic: homozygous familial hyperlipidemia; statin intolerant high CV risk patients	China, Hong Kong, Taiwan	IND approved: Sep 8, 2017
Novel	IBI-310(1)	CTLA-4	Oncology: melanoma and renal cell carcinoma	Worldwide	IND approved: Feb 13, 2018
Novel	IBI-302	VEGF/Complement proteins	Ophthalmology: wet AMD	Worldwide	IND approved: Dec 9, 2016
Novel	IBI-307	RANKL	Metabolic: osteoporosis and lytic bone lesions associated with cancer metastasis	Worldwide	IND approved: Jun 15, 2018
Novel	IBI-101	OX40	Oncology: advanced solid tumors, hepatitis B	Worldwide	IND approved: Jun 15, 2018
Novel	IBI-188	CD47	Oncology: B-cell lymphoma, ovarian cancer, colorectal cancer	Worldwide	IND approved: Aug 22, 2018
Novel	IBI-110	LAG-3	Oncology: NSCLC, melanoma, mBrCA, advanced tumors	Worldwide	
Novel	IBI-939	TIGIT	Oncology: advanced solid tumors	Worldwide	
Novel	IBI-318	PD-1/undisclosed target	Oncology: advanced tumors (undisclosed target)	China, Hong Kong, Macau(3)	
Novel	IBI-319	PD-1/undisclosed target	Oncology: advanced tumors (undisclosed target)	China, Hong Kong, Macau(3)	
Novel	IBI-322	PD-L1/CD47	Oncology: PDL1/CD47 coexpressing tumors, M1 macrophage signature tumors	Worldwide	
Novel	IBI-315	PD-1/HER2	Oncology: Her2 + cancers, mBrCA, gastric cancer, NSCLC	**	
Novel	IBI-323	LAG-3/PD-LI	Oncology: PDL1+ tumors with "hot tumor" phenotype	Worldwide	
Biosimilar	rituximab (IBI-301)/ Rituxan*	CD20	Oncology: non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis	Worldwide(2)	IND approved: Sep 13, 2014
Biosimilar	adalimumab (IBI-303)/ Humira*	TNF-α	Autoimmune: rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis	Worldwide	IND approved: Dec 28, 2015
Biosimilar	bevacizumab (IBI-305)/ Avastin*	VEGF-A	Oncology: r/r NSCLC and metastatic CRC	Worldwide	IND approved: May 10, 2016

Abbreviations: 1L = first-line; 2L = second-line; AMD = age-related macular degeneration; CRC = colorectal cancer; CV = cardiovascular; EGFR = epidermal growth factor receptor; ESCC = esophageal squamous cell carcinoma; HCC = hepatocellular carcinoma; NHL = non-Hodgkin's lymphoma; NK/T-cell lymphoma = natural killer/T-cell lymphoma; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; r/r = relapsed, refractory; SCLC = small-cell lung cancer; TKI = tyrosine kinase inhibitor.

* denotes a core product.

** collaboration with Hanmi, subject to confidentiality terms prohibiting the disclosure of confidential information.

*** We also plan to develop sintilimab in combination with (i) IBI-310 for the treatment of melanoma, SCLC and RCC, (ii) each of IBI-101, IBI-188, IBI-110 and IBI-939 for the treatment of advanced solid tumors, (iii) IBI-305 for the treatment of HCC and EGFR-TKI failure NSCLC, and (iv) IBI-301 for the treatment of B-cell NHL. We also plan to develop IBI-188 in combination with IBI-301 for the treatment of B-cell NHL.

(1) We are developing IBI-310 as an innovative drug candidate in accordance with NMPA regulations because ipilimumab has not been approved for marketing in China even though IBI-310 has the same amino acid sequence as ipilimumab.

(2) We and Eli Lilly will co-promote sintilimab (IBI-308) and rituximab (IBI-301) in China, Hong Kong and Macau.

(3) Eli Lilly may opt in to co-commercialize IBI-318 and IBI-319 with us in China, Hong Kong and Macau.

We have three bi-specific monoclonal antibody candidates based on sintilimab (IBI-308) in co-development with Eli Lilly, two of which, IBI-318 and IBI-319, are under development in China. See "–Collaboration Agreements–Collaboration with Eli Lilly–Addendum to the Exclusive License and Collaboration Agreement for China" for details.

In addition to developing our pipeline drug candidates in China, we have obtained FDA approval for our IND applications for sintilimab (IBI-308) and IBI-188 and plan to initiate a multi-center Phase 1b/2 clinical trial for sintilimab (IBI-308) and a Phase 1a clinical trial for IBI-188 in the U.S.

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our research and development expenses were RMB384.7 million, RMB611.9 million, RMB225.4 million and RMB420.0 million, respectively. As of the Latest Practicable Date, with respect to our four core product candidates, we owned three issued Chinese patents and three pending Chinese patent applications, two pending U.S. patent applications, and four pending PCT applications, among others.

OUR STRENGTHS

Fully-integrated biological therapeutics platform

In the seven years since our inception in 2011, we have built up a pipeline of 17 monoclonal antibody drug candidates, including four core product candidates that are in late-stage clinical development in China. We have succeeded in developing our pipeline quickly and efficiently because we have built a fully-integrated, end-to-end biological therapeutics platform that encompasses all the key biologic drug development functionalities, including discovery, process development, analytical sciences, quality control and assurance, clinical development, manufacturing, and commercialization. This enables us to identify and address potential clinical, manufacturing and commercial issues early in the development process so we can direct our efforts towards molecules with the best potential to become clinically active, cost-effective and commercially viable drugs. Our platform also allows us to carry out process validation and product manufacturing, maintain consistent quality control, and redeploy resources quickly to prioritize our most promising projects. Our platform also gives us the flexibility to pursue in-license strategies to maximize the value of our facilities and products. We continue to increasingly benefit from the scalability and cost efficiency of our platform as we expand our manufacturing capacity and build up our sales and marketing team in anticipation of our first wave of drug candidates gaining NMPA approval and entering the commercial phase.

Potentially best-in-class innovative PD-1 monoclonal antibody with NDA accepted and priority review status granted by the NMPA

Sintilimab is an innovative fully human PD-1 monoclonal antibody and one of the first PD-1 monoclonal antibodies to have a new drug application (NDA) accepted in China with priority review status. The indication for this NDA is r/r Hodgkin's lymphoma. PD-1/PD-L1 antibodies and other immuno-oncology drugs have revolutionized treatment of many cancers and demonstrated significant clinical benefits over chemotherapy and other therapies in many types of cancers. According to Frost & Sullivan, PD-1/PD-L1 antibodies had sales of US$10.1 billion worldwide in 2017; however, in China, there is no approved PD-L1 antibody and there are only two approved PD-1 antibodies, i.e., Bristol-Myers Squibb's PD-1 antibody Opdivo

(nivolumab), which was approved by the NMPA on June 15, 2018 for the treatment of locally advanced or metastatic NSCLC after prior platinum-based chemotherapy in adult patients without EGFR or ALK genomic tumor aberration, and Merck's Keytruda (pembrolizumab), which was approved by the NMPA on July 26, 2018 for the treatment of adult patients with unresectable or metastatic melanoma following failure of one prior line of therapy. We are developing sintilimab to treat multiple types of cancers and are currently conducting clinical trials with sintilimab both as a monotherapy and in combination with other therapies. In particular, part of sintilimab forms the anti-PD-1 portion of three bi-specific antibody drug candidates currently under our pre-clinical development, including IBI-318, IBI-319 and IBI-315.

Sintilimab has demonstrated an objective response rate (ORR) of 79.2% (week 24 data) and a complete response (CR) rate of 17.7% (week 15 data) in our registration clinical trial in 96 patients in China with relapsed/refractory classical Hodgkin's lymphoma and a safety and toxicity profile comparable to existing approved PD-1 antibodies. We believe that sintilimab has the potential to be a best-in-class PD-1 antibody given its biochemical and biological properties. For example, based on biochemical assays, sintilimab binds 10-fold and 50-fold more tightly to its target (referred to as high affinity) than pembrolizumab (sold under the trade name Keytruda by Merck) and nivolumab (sold under the trade name Opdivo by Bristol-Myers Squibb), respectively, and, based on *in vivo* pharmacodynamic comparison data, sintilimab also occupies more of the available PD-1 binding sites at a given drug concentration (referred to as target occupancy) than nivolumab. We expect that these characteristics of sintilimab will lead to better clinical efficacy at the same or lower dosage level and at the same or lower frequency of administration in comparison with existing approved PD-1 antibodies. We will co-promote and co-brand sintilimab per the agreement with Eli Lilly in China and, subject to receipt of NMPA approval, we plan to launch sintilimab in 2019.

Three biosimilar drug candidates in Phase 3 clinical trials in China

We are currently conducting Phase 3 clinical trials in China for three biosimilar drug candidates, all of which have significant commercial potential. The reference drugs for each of them have numerous approved indications:

- **IBI-305** is an anti-VEGF monoclonal antibody and our biosimilar product candidate to bevacizumab (Avastin). Bevacizumab has been approved by the FDA for the treatment of metastatic colon cancer, lung cancers, kidney cancers, ovarian cancers and glioblastoma, and it has been approved in China for advanced relapsed/refractory NSCLC and metastatic CRC. Avastin had worldwide sales of US$6.8 billion in 2017, according to the Frost & Sullivan Report.

- **IBI-301** is an anti-CD20 monoclonal antibody and our biosimilar product candidate to rituximab (MabThera/Rituxan). Rituximab has been approved by the FDA for the treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis, granulomatosis with polyangiitis and pemphigus vulgaris, and it has been approved in China for non-Hodgkin's lymphoma. Rituxan had worldwide sales of US$7.5 billion in 2017, according to the Frost & Sullivan Report.

- **IBI-303** is an anti-TNF-α monoclonal antibody and our biosimilar product candidate to adalimumab (Humira). Adalimumab has been approved by the FDA for the treatment of rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis, and it has been approved in China for rheumatoid arthritis, ankylosing spondylitis and psoriasis. Humira had worldwide sales of US$18.9 billion in 2017, according to the Frost & Sullivan Report.

Our IND applications for IBI-305, IBI-301 and IBI-303 were approved by the NMPA in May 2016, September 2014 and December 2015, respectively, in each case in accordance with the biosimilar regulatory development pathway based on the demonstrated similarity to their respective reference products in the CMC and pre-clinical studies. We have not had material communications with the NMPA since the approval of our IND applications and we are not aware of any material concern from the NMPA in connection with these three biosimilar drug candidates. Based on our internal review of the relevant clinical trial progress and preliminary clinical observations, we expect to submit NDAs to the NMPA for IBI-305 and IBI-301 in the first quarter of 2019 and in the fourth quarter of 2019, respectively. For IBI-303, we had a pre-NDA meeting with the NMPA on September 10, 2018, and based on internal review of the clinical trial progress, we expect to submit an NDA to the NMPA in the fourth quarter of 2018. The market size of biosimilars in China is expected to grow at a CAGR of 70.9% from RMB1.2 billion in 2017 to RMB16.9 billion in 2022, according to the Frost & Sullivan Report. We believe there is potential for biosimilar drugs in China to surpass the sales of the innovator drugs because of their greater affordability and because the biosimilars will be marketed to a much larger population than the innovator drugs have historically targeted.

Robust pipeline of innovative monoclonal antibody and bi-specific antibody drug candidates

In addition to our four core products, we have a robust pipeline of innovative monoclonal antibody drug candidates targeting diseases with largely unmet patient needs and significant total addressable markets, including bi-specific antibody products that bind to two different targets simultaneously. This pipeline includes two drug candidates that are currently in clinical development in China and being pursued under China's innovative drug registration pathway, and it also includes four drug candidates for which IND applications have been approved in China, including IBI-302:

- **IBI-306** is a fully human monoclonal antibody drug candidate that we are developing for the treatment of hyperlipidemia which is characterized by high levels of lipids in the blood. It binds to a protein known as PCSK9 and is similar to evolocumab (sold under the trade name Repatha by Amgen) and alirocumab (sold under the trade name Praluent by Sanofi). These anti-PCSK9 antibody drugs have been a significant advance in the treatment of high blood cholesterol and had aggregate worldwide sales of US$490 million in 2017, according to the Frost & Sullivan Report. Currently Repatha (evolocumab) is the only one marketed PCSK inhibitor in China, which received the approval by the NMPA for the treatment of hypercholesterolemia in August 2018. We are conducting a Phase 1 clinical trial of IBI-306 in China.

- **IBI-310** is a fully human monoclonal antibody drug candidate that we are developing for the treatment of a variety of cancers. It binds to an immune checkpoint known as cytotoxic T-lymphocyte-associated protein 4 (CTLA-4) which down-regulates T-cell immune response to cancer cells. In addition to its potential as a monotherapy, it also can potentially be used in combination therapy with an anti-PD-1 antibody in the treatment of certain cancers. Ipilimumab, the only approved CTLA-4 antibody drug, had worldwide sales of US$1.2 billion in 2017, according to the Frost & Sullivan Report. There are currently no CTLA-4 inhibitors approved in China. We are conducting a Phase 1 clinical trial of IBI-310 in China.

- **IBI-302** is a fully human bi-specific antibody-like drug candidate that we are developing for the treatment of ocular diseases including a type of age-related macular degeneration (AMD) called wet AMD. The current biological treatment for wet AMD include ranibizumab, aflibercept and conbercept. Conbercept achieved China sales of RMB617 million in 2017, according to the Frost & Sullivan Report. We believe that IBI-302 has the potential to be a best-in-class wet AMD therapeutic by simultaneously targeting two aspects of the disease, angiogenesis (which is the growth of blood vessels) and inflammation, while the current standard of care pharmaceuticals for wet AMD only target angiogenesis. Our IND application for IBI-302 was approved by the NMPA in December 2016. We plan to conduct a multi-center Phase 1 clinical trial of IBI-302 in China. We expect to start and complete this trial in 2019.

We also have a strong lineup of innovative drug candidates currently in pre-clinical stage, including two mono-specific antibody drug candidates against novel targets, and five bi-specific antibody drug candidates, including an anti-CD47/PD-L1 bi-specific antibody. We anticipate advancing four of these pre-clinical candidates into clinical stage in the next 12 months. See "– Our Drug Candidates" for details.

State-of-the-art manufacturing facilities designed to, built to and operating at international standards

From our inception, we have focused on constructing manufacturing facilities that meet rigorous international standards. We have undergone ordinary course, comprehensive annual audits of our production facility to evaluate compliance with industry GMP and quality compliance standards. Without exception, all of the IND registration batches for the ten INDs approved by the NMPA and for the IND approved by the FDA and all of the clinical trial material for the clinical trials of our other drug candidates in the pipeline have been produced at our existing facilities. Our current production facilities for biologics, with three 1,000L disposable bioreactors, satisfy the product validation prerequisite for the approval of innovative drug candidates under current regulations in China and give us flexibility in arranging production schedules while maintaining quality consistency. We expect our existing facilities to be able to support our commercial manufacturing needs for the first two products through 2020. We are currently installing six 3,000L bioreactors, which are designed to be commissioned and validated for GMP compliance in 2019. Additionally, we have also completed the construction of a building shell to host four 15,000L bioreactors in the near future.

Strategic partnerships with leading global companies, such as Eli Lilly and Adimab

Eli Lilly has been our strategic partner since the early days of our Company. Our strategic alliance with Eli Lilly was formalized in 2015 and is comprised of licensing, co-development and co-branding arrangements in China for sintilimab (IBI-308), our PD-1 antibody, and IBI-301, our rituximab (MabThera/Rituxan) biosimilar. In addition, we and Eli Lilly have agreed to collaborate in the discovery, development and commercialization of three PD-1-based bi-specific antibodies, including IBI-318 and IBI-319. We believe that these collaboration agreements demonstrate the quality of our team and its accomplishments. We also cooperate with other strategic partners, such as Adimab, with whom we have an agreement to co-discover monoclonal antibodies. We believe we offer a strong value proposition for potential international strategic partners that includes our technical knowledge, speed, flexibility and lower cost structure.

Senior management with a proven track record of success, led by our founder, the co-inventor and developer of the first domestic innovative fully human antibody-like drug in China

Our leader, Dr. De-Chao Michael Yu, invented and owns world's first oncolytic virus-based immunotherapeutic product, Oncorine. Dr. Yu also co-invented and led the development of Conbercept, the first domestic innovative fully human antibody-like therapeutic approved for marketing in China. Dr. Yu has more than 20 years of experience in key research and development and other management positions at Calydon, Cell Genesys, Applied Genetic Technology Corporation (where he was vice president of research and development) and Chengdu Kanghong Biotech (where he was the CEO and President). Dr. Yu was recruited to return to China as part of a national government initiative to attract leading overseas Chinese scientists. He has advised the government on key regulatory reforms in the pharmaceutical field. For example, Dr. Yu co-authored a proposal with 22 academic researchers in 2014. Dr. Yu currently serves as the Chairman of the Board of the Chinese Antibody Society, a Deputy Director of the National Technical Committee on Biochemistry Products and Testing Technology of the Standardization Administration of China, a Deputy Director of the Drug Research and Development Special Committee of China Pharmaceutical Innovation and Research Development Association, a Deputy Director of the Committee of the Cancer Immunology and Cancer Biotherapy of the Chinese Society for Immunology, a Managing Director of the Chinese Association for Medicinal Biotechnology, a Standing Committee Member of the Special Committee of Gene Therapy Society of the Chinese Association of Medicinal Biotechnology, a member of the Special Committee for Precision Medicine of the China Medicinal Biotech Association and a member of the Special Committee of Cancer Biotherapy of the China Anti-cancer Association. These roles give him keen insight into the regulatory environment in China. Dr. Yu is supported by a senior management team with biologics industry experience at leading international pharmaceutical companies such as Abbvie, Amgen, AstraZeneca, Bristol-Myers Squibb, Eli Lilly, Genentech, Novartis, Pfizer, and Roche.

Our shareholders consist of well-known global and Chinese institutional investors and biotech-focused investment funds, including but not limited to Eight Roads, F-Prime, Lilly Asia Ventures, Temasek, State Development & Investment Corporation, Legend Capital, Hillhouse Capital, Ping An, China Life, Taikang, Shanghai Milestone, Capital Group Private Markets, Cormorant Asset Management, Rock Springs and Ally Bridge Group.

OUR STRATEGIES

Expedite regulatory approval and commercialization of our lead product candidates

The NDA for our PD-1 antibody, sintilimab (IBI-308), was accepted by the NMPA on April 16, 2018 and was granted priority review status on April 23, 2018. We plan to focus our resources on rapidly delivering sintilimab to patients. We are currently building and expect to have a 250-member commercialization team by the time we receive marketing approval for sintilimab in China. We plan to double that size to a 500-member commercialization team in anticipation of the increased market demand for sintilimab and prior to the commercial launch of our first biosimilar drug candidate in China. We recently hired a chief commercial officer, Mr. Min Liu, to manage our sales, marketing and market access operations. Mr. Liu was formerly a member of Roche Global Oncology Franchise Leadership Team and vice president and head of one of Roche's two oncology business units in China in charge of leading the marketing and sales efforts for products in the fields of lung cancer, gastrointestinal cancer and hematology. In his role as our chief commercial officer, Mr. Liu is supported by key commercialization leadership members who have substantial experience and a strong performance track record commercializing those biological drug products relevant to our pipeline drug candidates at leading multinational and domestic pharmaceutical companies. We believe that our experienced commercialization team is highly competitive and can leverage our co-branding arrangement with Eli Lilly for sintilimab and IBI-301 in China, tapping into Eli Lilly's in-depth knowledge of, and long-term institutional relationships in, the China market to strengthen our competitive position in the market.

Rapidly advance our clinical programs for pipeline products

We plan to maximize the commercial potential of our PD-1 antibody, sintilimab, by exploring additional indications, such as hepatic cellular cancer, colorectal cancer, renal cell cancer, and gynecological cancer, among others. These will be in addition to our current studies for sintilimab in patients with classical Hodgkin's lymphoma, melanoma, gastrointestinal cancer, gastric cancer, esophageal cancer, NSCLC, and NK/T-cell lymphoma. At the same time, we are working to advance the other six drug candidates that we currently have in clinical development to the market approval stage as rapidly as possible. We will also continue to develop products from our pre-clinical pipeline with the aim of advancing one or more additional new products into clinical trials each year. We will devote particular attention to the discovery and development of bi-specific drugs that we believe will be more effective and have fewer side-effects than existing therapies. In addition, we plan to conduct more clinical trials for combination treatments based on sintilimab, particularly where we can combine another drug candidate in our pipeline with sintilimab. We plan to leverage our experience in designing clinical studies, our local knowledge and our extensive collaboration with investigators to develop new drug candidates in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases.

Continue to enhance our fully-integrated platform

We will continue to invest in building out our fully-integrated monoclonal antibody therapeutics platform, not only in manufacturing and commercialization but also in discovery and development. We are actively hiring new personnel in many functional departments across our Company. By September 2019, we expect to have completed installation of six new 3,000L stainless steel bioreactors that will be in full operation at our main campus in Suzhou and we have additional space set aside for the installation of four new 15,000L stainless steel bioreactors and for the further expansion of our research facilities. We are currently building and expect to have a 250-member commercialization team by the time we receive marketing approval for marketing and sales of sintilimab in China. We plan to double that size to a 500-member commercialization team in anticipation of the increased market demand for sintilimab and prior to the commercial launch of our first biosimilar drug candidate in China.

Maximize the value of our fully-integrated platform through a global strategy of organic growth and collaboration

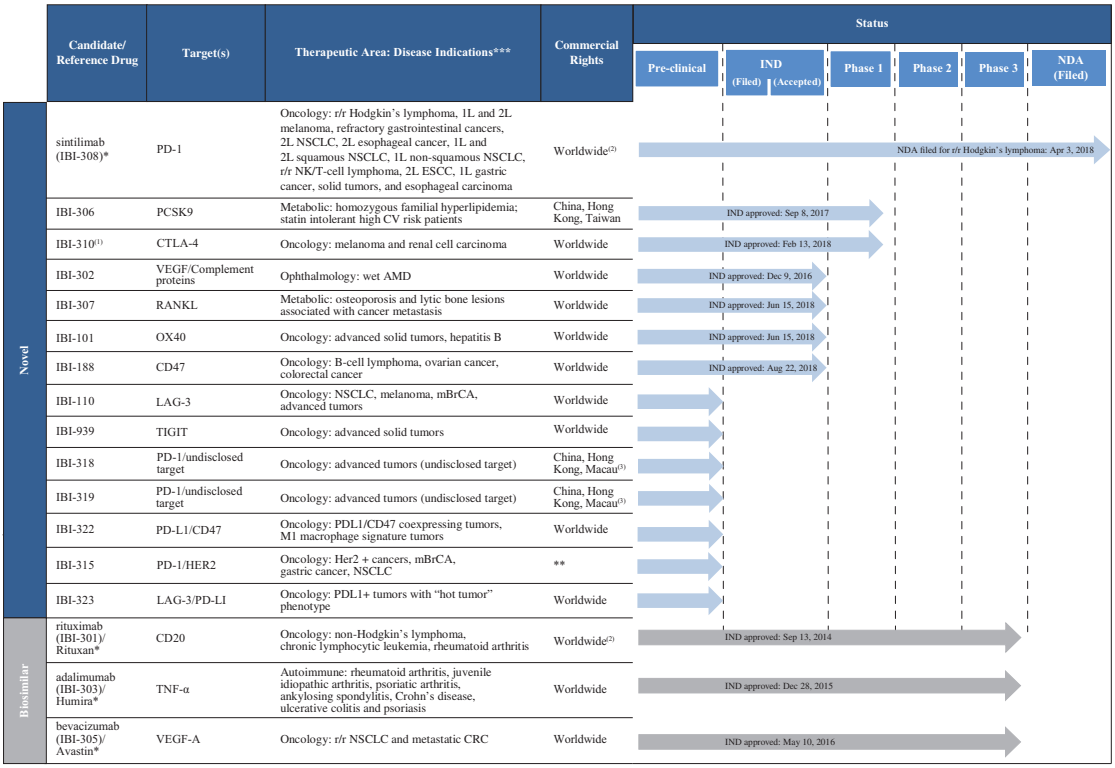
We intend to maximize the value of our fully-integrated platform by manufacturing our products for sale through our strategic partners outside of China and selectively in-licensing drug products for sale both inside and outside China. We have built our manufacturing facilities and our quality system at international standards and we plan to seek certification from the FDA and the EMA that we comply with cGMP requirements. We are building a team in the United States to conduct clinical trials of selected drug candidates, beginning with sintilimab, which has been approved for Phase 1b/2 clinical trials by the FDA based on data from our clinical trial results in China. We are preparing to submit more IND applications for additional innovative drug candidates globally, and we also intend to enrich and supplement our pipeline through collaboration, in-licensing and acquisition.

OUR DRUG CANDIDATES

Leveraging our fully-integrated platform, we are developing 17 monoclonal antibody drug candidates, including seven in clinical development, addressing major unmet or under-served medical needs in China. We believe that some of these innovative compounds have the potential to be best-in-class monotherapies or an important component of combination therapies with other oncology drugs.

The following table summarizes the development status in China of our pipeline antibody candidates as of the Latest Practicable Date:

	Candidate/ Reference Drug	Target(s)	Therapeutic Area: Disease Indications***	Commercial Rights	Status
Novel	sintilimab (IBI-308)*	PD-1	Oncology: r/r Hodgkin's lymphoma, 1L and 2L melanoma, refractory gastrointestinal cancers, 2L NSCLC, 2L esophageal cancer, 1L and 2L squamous NSCLC, 1L non-squamous NSCLC, r/r NK/T-cell lymphoma, 2L ESCC, 1L gastric cancer, solid tumors, and esophageal carcinoma	Worldwide[2]	NDA filed for r/r Hodgkin's lymphoma: Apr 3, 2018
Novel	IBI-306	PCSK9	Metabolic: homozygous familial hyperlipidemia; statin intolerant high CV risk patients	China, Hong Kong, Taiwan	IND approved: Sep 8, 2017
Novel	IBI-310[1]	CTLA-4	Oncology: melanoma and renal cell carcinoma	Worldwide	IND approved: Feb 13, 2018
Novel	IBI-302	VEGF/Complement proteins	Ophthalmology: wet AMD	Worldwide	IND approved: Dec 9, 2016
Novel	IBI-307	RANKL	Metabolic: osteoporosis and lytic bone lesions associated with cancer metastasis	Worldwide	IND approved: Jun 15, 2018
Novel	IBI-101	OX40	Oncology: advanced solid tumors, hepatitis B	Worldwide	IND approved: Jun 15, 2018
Novel	IBI-188	CD47	Oncology: B-cell lymphoma, ovarian cancer, colorectal cancer	Worldwide	IND approved: Aug 22, 2018
Novel	IBI-110	LAG-3	Oncology: NSCLC, melanoma, mBrCA, advanced tumors	Worldwide	
Novel	IBI-939	TIGIT	Oncology: advanced solid tumors	Worldwide	
Novel	IBI-318	PD-1/undisclosed target	Oncology: advanced tumors (undisclosed target)	China, Hong Kong, Macau[3]	
Novel	IBI-319	PD-1/undisclosed target	Oncology: advanced tumors (undisclosed target)	China, Hong Kong, Macau[3]	
Novel	IBI-322	PD-L1/CD47	Oncology: PDL1/CD47 coexpressing tumors, M1 macrophage signature tumors	Worldwide	
Novel	IBI-315	PD-1/HER2	Oncology: Her2 + cancers, mBrCA, gastric cancer, NSCLC	**	
Novel	IBI-323	LAG-3/PD-LI	Oncology: PDL1+ tumors with "hot tumor" phenotype	Worldwide	
Biosimilar	rituximab (IBI-301)/ Rituxan*	CD20	Oncology: non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis	Worldwide[2]	IND approved: Sep 13, 2014
Biosimilar	adalimumab (IBI-303)/ Humira*	TNF-α	Autoimmune: rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis	Worldwide	IND approved: Dec 28, 2015
Biosimilar	bevacizumab (IBI-305)/ Avastin*	VEGF-A	Oncology: r/r NSCLC and metastatic CRC	Worldwide	IND approved: May 10, 2016



Abbreviations: 1L = first-line; 2L = second-line; AMD = age-related macular degeneration; CRC = colorectal cancer; CV = cardiovascular; EGFR = epidermal growth factor receptor; ESCC = esophageal squamous cell carcinoma; HCC = hepatocellular carcinoma; NHL = non-Hodgkin's lymphoma; NK/T-cell lymphoma = natural killer/T-cell lymphoma; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; r/r = relapsed, refractory; SCLC = small-cell lung cancer; TKI = tyrosine kinase inhibitor.

* denotes a core product.

** collaboration with Hanmi, subject to confidentiality terms prohibiting the disclosure of confidential information.

*** We also plan to develop sintilimab in combination with (i) IBI-310 for the treatment of melanoma, SCLC and RCC, (ii) each of IBI-101, IBI-188, IBI-110 and IBI-939 for the treatment of advanced solid tumors, (iii) IBI-305 for the treatment of HCC and EGFR-TKI failure NSCLC, and (iv) IBI-301 for the treatment of B-cell NHL. We also plan to develop IBI-188 in combination with IBI-301 for the treatment of B-cell NHL.

(1) We are developing IBI-310 as an innovative drug candidate in accordance with NMPA regulations because ipilimumab has not been approved for marketing in China even though IBI-310 has the same amino acid sequence as ipilimumab.

(2) We and Eli Lilly will co-promote sintilimab (IBI-308) and rituximab (IBI-301) in China, Hong Kong and Macau.

(3) Eli Lilly may opt in to co-commercialize IBI-318 and IBI-319 with us in China, Hong Kong and Macau.

We have three bi-specific monoclonal antibody candidates based on sintilimab (IBI-308) in co-development with Eli Lilly, two of which, IBI-318 and IBI-319, are under development in China. See "–Collaboration Agreements – Collaboration with Eli Lilly – Addendum to the Exclusive License and Collaboration Agreement for China" for details.

In addition to developing our pipeline drug candidates in China, we have obtained FDA approval for our IND applications for sintilimab (IBI-308) and IBI-188 and plan to initiate a multi-center Phase 1b/2 clinical trial for sintilimab (IBI-308) in the U.S.

Subject to applicable legal and contractual obligations, we consciously prioritize, and from time to time re-prioritize, our pipeline drug candidates for development based on numerous commercial considerations such as existing resources, changing epidemiology and estimated commercialization prospects.

Our Most Advanced Drug Candidate: sintilimab (IBI-308)

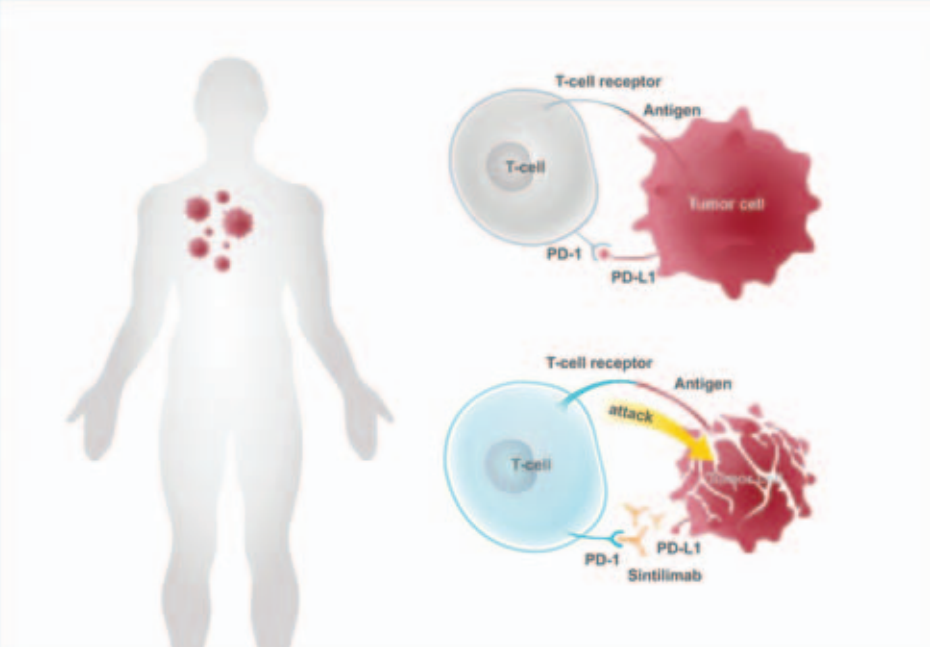
Sintilimab (IBI-308) is an innovative fully human PD-1 monoclonal antibody against the programmed death-1 molecule (PD-1). We are developing sintilimab as a monotherapy in relapsed/refractory classical Hodgkin's lymphoma, first-line and second-line melanoma, gastrointestinal cancers, NSCLC, second-line esophageal cancer, second-line squamous NSCLC, and NK/T-cell lymphoma. We are also developing sintilimab in combination with chemotherapy for first-line non-squamous NSCLC, first-line squamous NSCLC, and first-line gastric cancer.

Mechanism of Action

PD-1 is a protein on the surface of T-cells and is one of the proteins referred to as an "immune checkpoint" inhibitor. The normal function of PD-1 is to turn off the T-cell mediated immune response as part of the process that stops a healthy immune system from attacking other cells in the body. When PD-1 attaches to certain proteins called the PD-1 ligand 1 (PD-L1) or the PD-1 ligand 2 (PD-L2) on the surface of a normal cell or a cancer cell, the T-cell turns off its ability to kill the cell. Some cancer cells produce large amounts of PD-L1 and PD-L2 to help these cancer cells evade T-cell attacks. Sintilimab binds to PD-1 and blocks it from binding to both PD-L1 and PD-L2, which allows the T-cells to kill cancer cells. The following diagram illustrates the mechanism of action of sintilimab.

In the diagram below, a T-cell interacts with a tumor cell via an antigen on the surface of the tumor cell. Under normal conditions, the T-cell would recognize the tumor antigen as being foreign and kill the tumor cell. In the top panel of the diagram, however, the tumor cell also expresses PD-L1 on its surface. PD-L1 can bind to the checkpoint receptor, PD-1, and in doing so, turn off the T-cell. In this manner the tumor cell can evade the immune system. As shown in the lower panel of the diagram, sintilimab binds to PD-1 on the surface of the T-cell and blocks the ability of PD-L1 to activate the checkpoint. The T-cell then initiates cell killing.

Mechanism of action of sintilimab (IBI-308)



Based on Francisco, Loise M., Peter T. Sage, and Arlene H. Sharpe. "The PD-1 Pathway in Tolerance and Autoimmunity." Immunological Reviews 236 (2010): 219-242. PMC. Web. 1 Aug. 2018.

Market Opportunity and Competition

We believe there is a significant commercial opportunity in China for PD-1 or PD-L1 antibody drugs. According to the Frost & Sullivan Report, the incidence of all cancers in China increased from 3.7 million in 2013 to 4.2 million in 2017. Among all types of cancers, the incidence of lung cancer, colorectal cancer and esophageal cancer grew the fastest during this period. Driven by a combination of factors such as unhealthy lifestyle and pollution, it is estimated that the incidence of all cancers in China will reach 4.8 million in 2022. Among all types of cancers, lung, stomach, liver, colorectal, breast and esophageal cancers are the six most common cancers in China and respectively accounted for 863,900, 454,500, 489,100, 411,100, 299,600 and 285,300 of the total incidence in China in 2017.

Currently available clinical data suggest that some of the most prevalent cancers in China, such as lung, stomach, liver, colorectal and esophageal cancers, are responsive to the PD-1/PD-L1 class of drugs. Taking into account the other cancer types (such as bladder, melanoma and kidney cancers) that are also responsive to the PD1-/PD-L1 class, the overall annual incidence of the aforementioned eight types of cancers in China is approximately 3.0 million in 2017.

In China, according to the Frost & Sullivan Report, only two PD-1 antibodies have been approved for marketing: Bristol-Myers Squibb's Opdivo (nivolumab), which was approved by the NMPA on June 15, 2018 for the treatment of locally advanced or metastatic NSCLC after prior platinum-based chemotherapy in adult patients without EGFR or ALK genomic tumor aberration, and Merck's Keytruda (pembrolizumab), which was approved by the NMPA on July 26, 2018 for the treatment of adult patients with unresectable or metastatic melanoma

following failure of one prior line of therapy; there is no approved PD-L1 antibody yet. CDE released guidance in February 2018 on the requirements for NDA submissions of PD-1/PD-L1 drug candidates, specifically for data from single-arm trials on refractory/recurrent advanced cancers without standard-of-care therapies. A pre-NDA meeting is required before the NDA submission, and a rolling NDA submission will be accepted for PD1-/PD-L1 therapies. Besides us, several companies also have anti-PD-1 drug candidates with an NDA application under review by the NMPA for the first indications, including Hengrui's SHR-1210 (camrelizumab), Junshi's JS-001 (toripalimab), and BeiGene's BGB-A317 (tislelizumab). There are also several anti-PD-1/PD-L1 drug candidates in late-stage clinical development in China, including Roche's Tecentriq (atezolizumab), CStone's CS1001, Alphamab/3DMed's KN035, AstraZeneca/MedImmune's Imfinzi (durvalumab) and Merck KGaA/Pfizer's Bavencio (avelumab). According to the Frost & Sullivan Report, the market size for PD-1/PD-L1 antibodies in China is expected to grow to RMB98.4 billion in 2030.

According to the Frost & Sullivan Report, the worldwide sales for Opdivo (nivolumab) and Keytruda (pembrolizumab) in 2017 were US$5.8 billion and US$3.8 billion, respectively. The two approved PD-1 antibodies (Keytruda and Opdivo) and the three approved PD-L1 antibodies (Tecentriq, Bavencio and Imfinzi) in the aggregate had worldwide sales of US$10.1 billion in 2017, which grew at a CAGR of 412.2% from 2014. With the increase in approved cancer indications for PD-1/PD-L1 antibody drugs and the launch of combination therapies including PD-1/PD-L1 antibodies, it is expected that the sales for this class will continue to grow over the next ten years and will reach US$78.9 billion in 2030. See "Industry Overview – Overview of PD-1 and PD-L1 Antibodies Market" for further information on the market opportunities for PD-1/PD-L1 antibody drugs.

Competition in the oncology therapeutic area to which sintilimab (IBI-308) belongs is extremely fierce given the abundance of existing competing drugs and drug candidates that continue to increase competition in the market. The following table sets forth comparisons between IBI-308 and its competitive drug candidates in China which are approved to market or in late stage clinical trials:

Comparison Between Sintilimab (IBI-308) and its Approved or Late-Stage Competitors in China

Generic (Brand) Name/ Drug Code	Company	Filing Status in China	Date*	Mechanism of Action	Lead/Proposed Indications	Retail Price (RMB)	NRDL/PRDL
Sintilimab (IBI-308)	Innovent	NDA submission	2018/4/19	Anti-PD-1	R/r Hodgkin's lymphoma	N.A.	N.A.
Nivolumab (Opdivo)	BMS	Marketed	2018/6/15	Anti-PD-1	Locally advanced or metastatic NSCLC	9,260/100 mg, 4,591/40 mg	No
Pembrolizumab (Keytruda)[(1)]	Merck	Marketed	2018/7/26	Anti-PD-1	Locally advanced or metastatic melanoma	17,918/100 mg	No
Camrelizumab (SHR-1210)	Hengrui	NDA submission	2018/4/23	Anti-PD-1	Classical Hodgkin's lymphoma	N.A.	N.A.
JS-001	Junshi	NDA submission	2018/3/20	Anti-PD-1	Unresectable local progression or metastatic melanoma	N.A.	N.A.
Tislelizumab (BGB-A317)	Beigene	NDA submission	2018/9/6	Anti-PD-1	Classical Hodgkin's lymphoma	N.A.	N.A.

Source: Frost & Sullivan

Abbreviation: NRDL = national reimbursement drug list of China; PRDL = provincial reimbursement drug list; "No" means that the drug is not list in the NRDL or the PRDL even though it is marketed; "N.A." means, with respect to retail price, not available, and with respect to NRDL/PRDL, not applicable because the drug candidate is not marketed yet.

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期); for a product with NDA submitted and the NDA result pending, it refers to the date of NDA submission.

(1) Merck has publicly announced its patient assistance program for Keytruda, subject to its right to cancel at anytime, which provides the patients for certain indications and with proven financial difficulties with free Keytruda for a certain period of time.

Current PD-1 Therapies and Limitations

Immunotherapy has become a lifesaving therapy for some patients with previously incurable cancers. Some types of cancers are exquisitely sensitive to immunotherapy with antibodies that bind to immune checkpoint proteins, and in so doing, stimulate the immune system to attack cancer cells. In patients with melanoma, Hodgkin's disease and Merkel cell carcinoma, the majority have demonstrated substantial clinical benefit from treatment with these new types of therapy.

Two PD-1 antibodies, pembrolizumab and nivolumab, have been approved outside China for the treatment of several types of cancer, including melanoma, non-small cell lung cancer (NSCLC), Hodgkin's lymphoma, gastric cancer, microsatellite instability high (MSI-H) cancers, head and neck cancer, urothelial cancer, MSI-H/dMMR colorectal cancer, liver cancer, kidney cancer, bladder cancer, cervical cancer and primary mediastinal large B-cell lymphoma. One PD-1 antibody, nivolumab, has been approved in China for the treatment of locally advanced or metastatic NSCLC. In addition, three PD-L1 monoclonal antibodies, atezolizumab, avelumab and durvalumab, have been approved by the FDA for the treatment of a few types of cancers: metastatic NSCLC, locally advanced or metastatic urothelial carcinoma, and metastatic Merkel cell carcinoma. Unfortunately, less than 20% of all cancer patients have a clinically meaningful response to these approved PD-1 or PD-L1 antibody therapies.

The clinical efficacy of an antibody drug depends upon several factors. The most important factor is the ability of the antibody to bind to the target with sufficient strength and duration. The currently approved antibodies against PD-1, pembrolizumab and nivolumab, have biological characteristics that could be enhanced, such as binding affinity and durations of target engagement.

Advantages

Sintilimab (IBI-308) has the potential to be a global best-in-class PD-1 antibody, based on characteristics that were designed into sintilimab that improve the biological properties compared to other well-studied PD-1 antibody drugs such as pembrolizumab and nivolumab. We believe sintilimab potentially has the following competitive advantages:

Higher binding affinity for PD-1

A major contributor to the action of an antibody in the body is how the antibody engages the target, including how tightly the antibody binds its antigen and how long the antibody stays bound to the antigen.

In vitro studies have shown that the binding affinity of sintilimab for PD-1 is approximately 10- and 50-fold higher compared to that of pembrolizumab and nivolumab, respectively. This higher binding affinity allows sintilimab to bind more tightly to PD-1 on lymphocytes and to better compete against the binding of PD-L1 and PD-L2 on tumor cells. The following table shows the *in vitro* equilibrium binding characteristics of sintilimab, pembrolizumab and nivolumab. A lower dissociation constant (K_d) indicates higher binding affinity.

Sintilimab (IBI-308) has higher binding affinity for human PD-1 than pembrolizumab and nivolumab

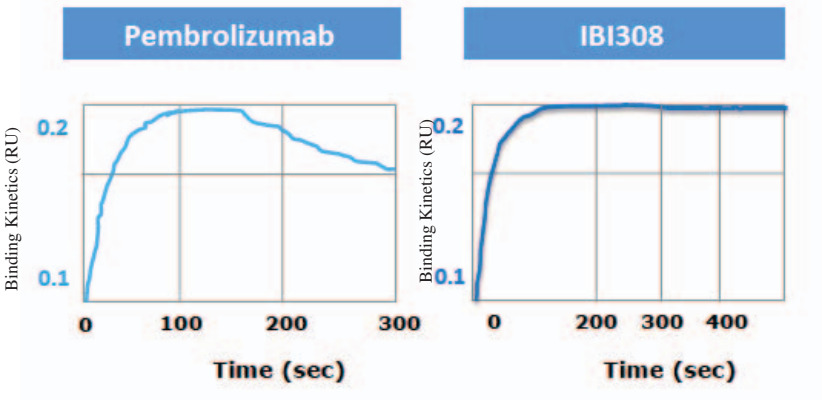
mAb	K_d hPD-1 (10^{-11} M)
IBI308	1.20
Pembrolizumab	13.0
Nivolumab	64.0

Abbreviations: M = mole (unit for amount of substance); K_d = dissociation constant; hPD-1 = human PD-1.

Prolonged binding for PD-1

The binding affinity of an antibody consists of two opposing factors: the on-rate which is the rate at which the antibody (sintilimab) binds to the antigen (PD-1); and the off-rate which is the rate at which the antibody releases the antigen. Pembrolizumab has a comparably fast off-rate, and hence, after binding to PD-1 on lymphocytes, pembrolizumab can dissociate from PD-1, leaving the lymphocyte's PD-1 free to bind to PD-L1 or PD-L2 on tumor cells. Sintilimab was engineered to slow down its dissociation from PD-1 and thereby prolong the duration of its binding to PD-1 so as to allow more robust and longer inhibition of the PD-1 signal as compared to pembrolizumab. The following graphs show the side-by-side comparison of the binding kinetics of pembrolizumab and sintilimab.

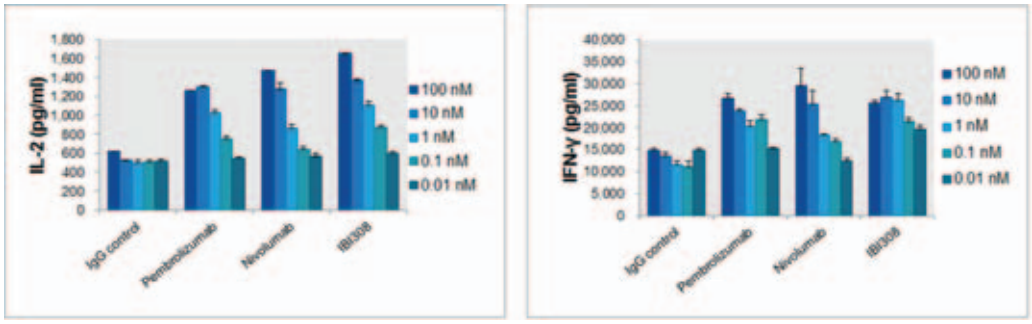
Sintilimab (IBI-308) has a slower off-rate than pembrolizumab



Abbreviations: RU = resonance units.

Improvements in the binding affinity and in binding kinetics lead to more robust activity of sintilimab in *ex vivo* mixed lymphocyte reactions, which is a measure of the ability of human lymphocytes to recognize foreign cells and become activated. The degree of lymphocyte activation is measured by the induction of cytokines such as interferon-γ and interleukin-2 (IL-2). As shown in the figure below, sintilimab leads to greater induction of IL-2 and interferon-γ than nivolumab or pembrolizumab, respectively.

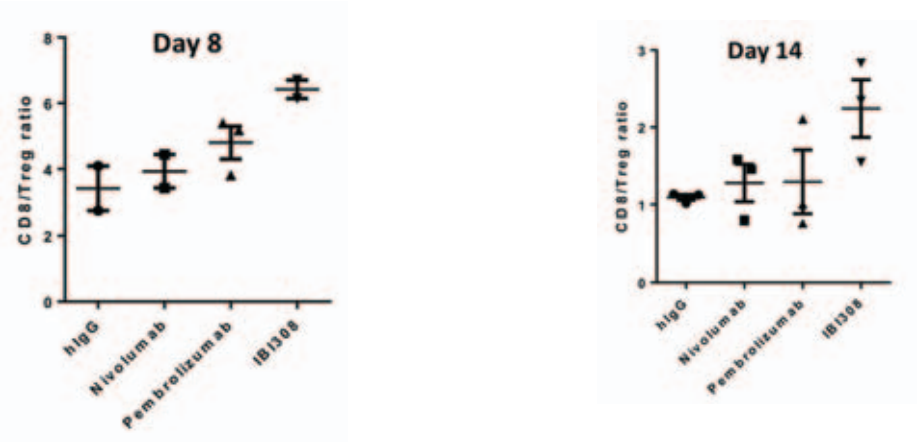
Sintilimab outperforms both nivolumab and pembrolizumab in mixed lymphocyte reaction cytokine induction



Abbreviations: IL-2 = interleukin-2; IFN-γ = interferon-γ; IgG = immunoglobulin G.

In another laboratory study, the ability of sintilimab to change the types of tumor infiltrating T lymphocytes (TILs) in human xenographs was compared directly against that of pembrolizumab and nivolumab. A proximate measure of blockade of PD-1 action in tumors is CD8/T_{reg}, which is the ratio of cytotoxic T lymphocytes (CD8) to T_{reg} lymphocytes. While each PD-1 antibody increased the ratio of CD8/T_{reg} lymphocytes, at the equivalent dose levels, sintilimab led to more robust changes, as shown in the figure below. This increase in CD8/T_{reg} ratio is a beneficial change in the immune status within the tumors.

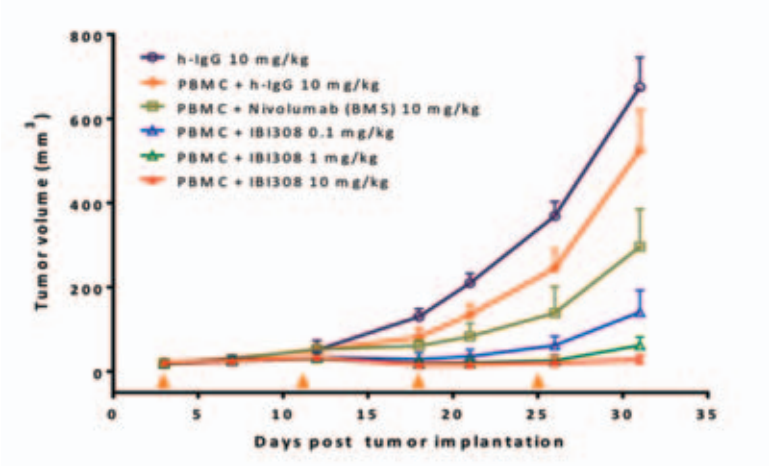
Tumor infiltrating lymphocytes in a syngeneic murine model of cancer



Abbreviations: T_{reg} = Regulatory T-cell; h-IgG = human immunoglobulin G.

Another measure of the improvement in immune status induced by PD-1 blockage is the shrinkage of tumors in animal models. In our case, mice studies we conducted using the H292 humanized Winn mouse model. As illustrated in the following diagram, sintilimab was shown to be 100-fold more potent than nivolumab in terms of tumor shrinkage in immunocompromised mice that are injected with human NSCLC cells. Notably, at the highest dose level of 10 mg/kg which is the standard dose level for nivolumab, treatment with sintilimab led to complete regression of tumors.

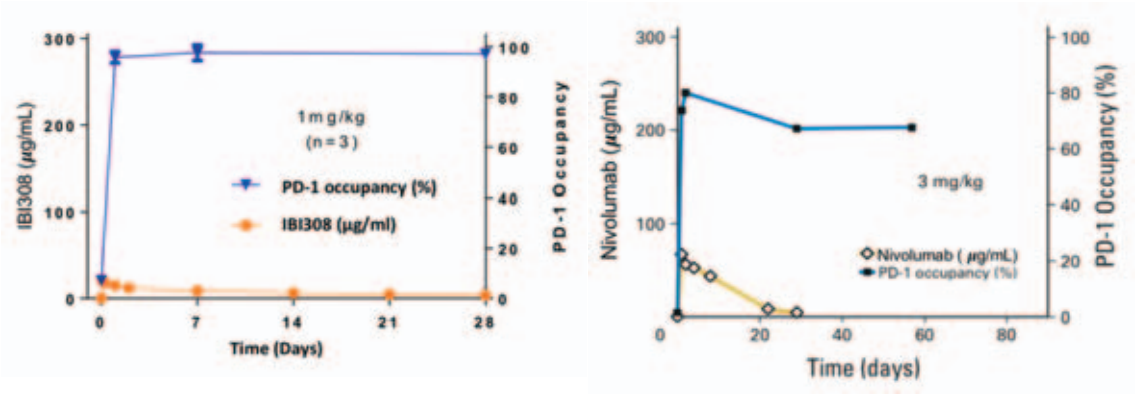
Winn model demonstrating immune-based efficacy of sintilimab



Abbreviations: h-IgG = human immunoglobulin G; PBMC = peripheral blood mononuclear cells.

PD-1 antibodies function by binding to PD-1 on the surface of T lymphocytes and blocking PD-1 binding to PD-L1 and PD-L2 on the surface of cancer cells. The binding of PD-1 antibodies to PD-1 is called receptor occupancy and is a measure of the fraction of PD-1 that is blocked on the surface of T lymphocytes which can be measured using standard flow cytometry methodology. A higher fraction of occupied receptor for a longer period of time may potentially result in better clinical efficacy. We compared the receptor occupancy of PD-1 in patients during and after they are given sintilimab to the published receptor occupancy for nivolumab. As shown in the left panel of the following figure, sintilimab had greater than 95% receptor occupancy for the full duration of a cycle of therapy at the 3 mg/kg dose level. In comparison, published data show that, at the same 3 mg/kg dose level, nivolumab (indicated in the figure by its former name MDX-1106) had a receptor occupancy that falls within the range of approximately 75% to 80% throughout the cycle of therapy, as shown in the right panel of the following figure.

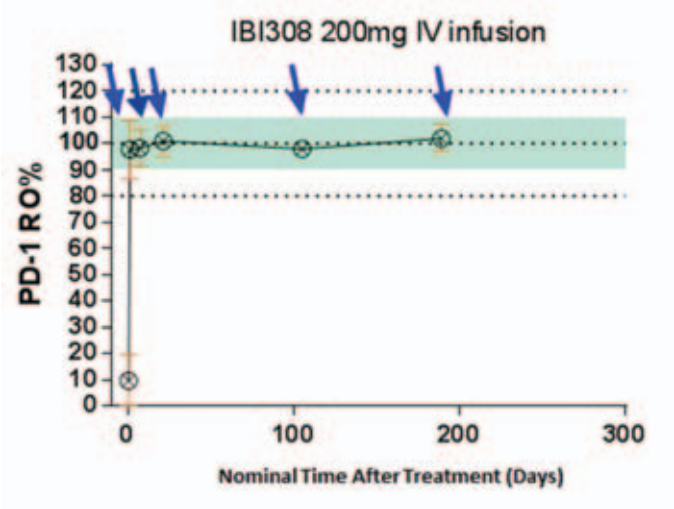
Receptor occupancy in patients after a single dose of anti-PD-1 antibodies



Note: MDX-1106 is the original name for nivolumab.
Source for nivolumab (MDX-1106) data: Julie R. et al. JCO 2010: 3167-3174.

In addition to achieving a higher level of PD-1 receptor occupancy, sintilimab also proved to be able to maintain that level for a long period of time. Indeed, in Hodgkin's lymphoma patients given multiple cycles of sintilimab at 200 mg flat dose level, the PD-1 receptor occupancy in peripheral blood lymphocytes is greater than 95% for at least 180 days, as shown in the graph below.

PD-1 receptor occupancy by sintilimab after multiple doses in patients



Abbreviations: PD-1 RO = PD-1 receptor occupancy; IV = intravenous.

Safety profile consistent with pembrolizumab with no unexpected adverse events

Longer and more robust receptor occupancy prolongs PD-1 blockade in patient lymphocytes and could allow for stronger efficacy. One concern could be that better PD-1 blockade could result in a higher frequency and intensity of adverse events in patients.

Fortunately, with sintilimab, this does not appear to be the case. 567 patients have been treated with sintilimab as of the Latest Practicable Date and the results from our clinical studies, albeit not head-to-head comparisons, have demonstrated that the safety profile of sintilimab is similar to that of pembrolizumab with no unexpected adverse events. In most of these clinical studies, the dose level and frequency of administration of sintilimab is identical to that of pembrolizumab, i.e., 200 mg flat dose given intravenously every three weeks. As shown in the following tables, in all categories of adverse events collected in our ongoing trials in 371 patients, sintilimab has numerically lower frequency of adverse events than reported in the pembrolizumab reference safety dataset.

Adverse events in the sintilimab safety data set (371 patients) in comparison to pembrolizumab safety data set.

Adverse events in the sintilimab safety data set

Index	Sintilimab N=371
Adverse Events (AE)	88.1%
Treatment emerged adverse events (TEAE)	85.2%
TEAEs related to IBI308 (TRAE)	80.9%
≥ grade 3 TEAE	24.3%
≥ grade 3 Treatment related AE (TRAE)	21.8%
Serious adverse events (SAE) during treatment	17.3%
SAE related to drug	6.5%
AE leading to permanent withdrawal	6.2%

Adverse events in the pembrolizumab safety data set

Index	Pembrolizumab N=2799*
Adverse Events (AE)	97.4%
Treatment emerged adverse events (TEAE)	97.4%
TEAEs related to drug (TRAE)	73.7%
≥ grade 3 TEAE	45.5%
≥ grade 3 Treatment related AE (TRAE)	13.8%
Serious adverse events (SAE) during treatment	37.2%
SAE related to drug	10.0%
AE leading to permanent withdrawal	11.9%

* Pooled data from reference safety data set for Pembrolizumab. Pembrolizumab safety profile is presently based on 2,799 patients, including 1,232 NSCLC patients from studies KEYNOTE-001 and KEYNOTE-010 and 1,567 melanoma patients from studies KEYNOTE-001, KEYNOTE-002 and KEYNOTE-006.

Efficacy observed in clinical studies

Improved biochemical properties, more robust receptor occupancy, and longer blockade of PD-1 on lymphocytes, not only lead to more robust pre-clinical tumor efficacy of sintilimab, but could also lead to more robust clinical benefit for patients. While there is no head-to-head clinical trial comparison of the various PD-1 antibodies, sintilimab, nivolumab and pembrolizumab have all completed Phase 2 trials in relapsed/refractory classical Hodgkin's lymphoma. Sintilimab has demonstrated robust clinical efficacy in this patient population. As judged by an independent radiological review committee, 79.2% of the 96 patients treated with sintilimab in our registration trial achieved a best overall objective response (week 24 data), 17.7% of the patients achieved a best complete response (week 15 data), and the disease control rate is 97.9% (week 24 data). The efficacy results from our registration trial for sintilimab are summarized in the following table.

Efficacy analysis of sintilimab in relapsed/refractory classical Hodgkin's lymphoma 24 weeks after initiation of therapy

Parameter	Patients, N (%)	
	IRRC Review	Investigator Review
CR	17 (17.7%)	17 (17.7%)
PR	59 (61.5%)	60 (62.5%)
SD	18 (18.8%)	19 (19.8%)
PD	2 (2.1%)	0 (0%)
ORR (CR+PR) (95% CI)	79.2% (69.7-86.8%)	80.2% (70.8-87.6%)
DCR (CR+PR+SD) (95% CI)	97.9% (92.7-99.7%)	100% (96.2-100%)

Abbreviations: N = sample size (96 patients); IRRC = independent radiological review committee; IWG 2007 = International Working Group 2007; CR = complete response rate; PR = partial response rate; SD = stable disease; PD = progressive disease; ORR = objective response rate; DCR = disease control rate; CI = confidence interval.

Note: The 24-week response measurement does not include PET scans. Hence, IWG complete response cannot be assessed at this time point and the complete response rate (CR) in the table is week 15 data. Partial responses increased at 24 weeks due to four patients with stable disease achieving partial response. The objective response rate therefore increased to 79.2%.

These important clinical parameters achieved from treatment with sintilimab are numerically similar to the results achieved from treatment with nivolumab or pembrolizumab, as shown in the table below. Although the patient populations are all relapsed/refractory classical Hodgkin's lymphoma, the standard of care across geographies is not identical. Brentuximab vedotin is not available in China and autologous stem cell transplantation is less common in China than in the United States and the European Union. In addition, the timing of response measurements is different across studies.

Efficacy analysis of nivolumab and pembrolizumab in relapsed/refractory classical Hodgkin's lymphoma

Parameter		Nivolumab[1] ASCT+BV (N=80)	Pembrolizumab[2]			
			Cohort A: ASCT+BV (N=69)	Cohort B: BV (N=81)	Cohort C: ASCT (N=60)	Total (N=210)
IWG 2007 Standard	CR	7 (8.8%)	15 (21.7%)	20 (24.7%)	12 (20.0%)	47 (22.4%)
	PR	46 (57.5%)	36 (52.2%)	32 (39.5%)	30 (50.0%)	98 (46.7%)
	SD	18 (22.5%)	11 (15.9%)	10 (12.3%)	10 (16.7%)	31 (14.8%)
	PD	6 (7.5%)	5 (7.2%)	17 (21.0%)	8 (13.3%)	30 (14.3%)
	unreadable	3 (3.8%)	2 (2.9%)	2 (2.5%)	0	4 (1.9%)
	ORR (CR+PR)	66.3%	73.9%	65.2%	70.0%	69.1%
	DCR (CR+PR+SD)	88.8%	89.8%	76.5%	86.7%	83.9%

Abbreviations: IWG 2007 = International Working Group 2007; ASCT = autologous stem cell transplantation; BV = brentuximab vedotin; CR = complete response rate; PR = partial response rate; SD = stable disease; PD = progressive disease; ORR = objective response rate; DCR = disease control rate.

1. Younes et al, Lancet Oncol., 17(9) 1283-94, 2016. "Best overall response was defined as the best response designation recorded between the date of the first dose and the date of initial objectively documented progression per the 2007 International Working Group criteria or the date of subsequent therapy, whichever occurred first."

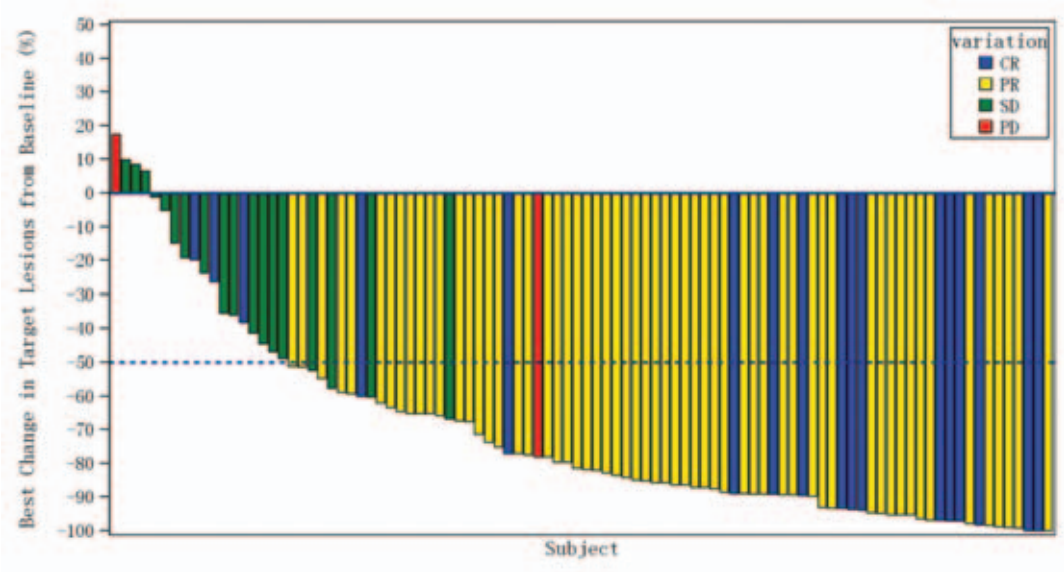
2. Chen et al, JCO., 35(19) 2125-2132, 2017. "ORR was defined as the proportion of patients who achieved CR or partial response using RRC criteria17 at any time during the study. Best overall response was defined as best ORR during the period between the first dose and the first documented PD, death, or, in the absence of PD, last efficacy assessment before subsequent therapy."

Summary of Registration Trial Results

We have completed a multi-center, single arm, open-label, registration trial in China to evaluate the efficacy and safety of sintilimab in 96 patients with relapsed/refractory classical Hodgkin's lymphoma, which is the largest clinical study in China for this indication. The primary endpoint is objective response rate (ORR) and the secondary endpoint is complete response rate (CR). Trial response data was assessed and confirmed by an independent radiological review committee (IRRC) according to IWG 2007 criteria. Patients were evaluated by PET after completing a 15-week course of treatment with sintilimab at the dose level of 200 mg every three weeks. As confirmed by the IRRC, for patients in the trial, the best objective response rate was 79.2% (week 24 data), the best complete response rate was 17.7% (week 15 data), and the disease control rate was 97.9% (week 24 data).

The following graph shows the best objective response in each of the 96 patients as measured by the percentage of change from baseline in target lesion based on CT scans and PET scans. By IWG 2007 (International Working Group 2007) criteria for assessing objective response in Hodgkin's lymphoma, patients whose tumor do not completely resolve based on size of the tumors but become PET scan negative (blue bars) are complete responses.

Best response in relapsed/refractory classical Hodgkin's lymphoma patients



Abbreviations: CR = complete response; PR = partial response; SD = stable disease; PD = progressive disease.

The safety profile of sintilimab is consistent with the expected safety profile of a PD-1-specific antibody such as those of nivolumab and pembrolizumab that does not involve side effects such as skin capillary hemangioma. In these 96 patients, every patient experienced at least one treatment emergent adverse event (TEAE), 92.7% of which were assessed as treatment related by the investigator. The majority of the TEAEs were grade 1 to 2. 25.0% of the TEAEs were grade 3 to 4. No grade 5 TEAE occurred. The most common treatment related adverse event (AE) was fever, which affected 40.6% of the patients during the study. Serious AE (SAEs) of any cause were reported in 14.6% of the patients, with the most common being pneumonia (3.1%), lung infection (2.1%), infectious pneumonia (2.1%), upper respiratory tract infection (2.1%) and infusion-related reaction (2.1%). Treatment related SAEs occurred in 11 patients (11.5%). Adverse events that led to permanent treatment discontinuation occurred in three out of 96 patients, including one patient with grade 2 pneumonia, one patient with grade 4 liver dysfunction, and one patient with grade 3 pneumonia and grade 4 platelet count decreased. 52 of the 96 patients reported immune related adverse events (irAE), including hypothyroidism (19.8%), serum thyrotropin increased (16.7%) and free thyroxine decreased (11.5%). Three patients experienced irAEs above grade 3, including one patient with grade 3 alanine aminotransferase increase, one patient with grade 4 liver dysfunction, and one patient with grade 3 pneumonia and grade 3 platelet count decrease. Immune pneumonitis is a PD-1 class specific adverse event. No fatalities and no unusual or unexpected safety signals, which are signals not related to the PD-1 class of drugs, have been observed in this study.

The adverse events observed from 96 patients in this trial are summarized in the following table.

Index	Sintilimab
Number	N=96
Adverse Events (AE)	100%
Treatment emerged adverse events (TEAE)	100%
≥ Grade 3 TEAE	25.0%
Drug related TEAE	92.7%
≥ grade 3 drug related TEAE	17.7%
TEAE leading to treatment termination	3.1%
Critical TEAE	84.4%
Serious adverse events (SAE)	14.6%
Drug related SAE	11.5%
AE leading to death	0

The preliminary results from this study were published on the official website of the American Society of Clinical Oncology, or ASCO, on May 16, 2018. The updated and final results from this study were presented at the 2018 ASCO Annual Meeting in Chicago in a poster session on June 4, 2018 (Abstract No. 7536).

We submitted our original NDA for sintilimab for the treatment of relapsed/refractory classical Hodgkin's lymphoma on December 1, 2017, which was accepted by the NMPA on December 7, 2017. In light of the new guidance released in February 2018 by the Center for Drug Evaluation, or CDE, under the NMPA, we resubmitted our NDA for sintilimab for the treatment of relapsed/refractory classical Hodgkin's lymphoma on April 3, 2018, which was accepted by the NMPA on April 16, 2018. We became one of the first companies to have an NDA for a PD-1/PD-L1 product accepted by the NMPA and we were granted priority review status on April 23, 2018. We have not had material communications with the NMPA since our submission of the NDA and we are not aware of any material concern that has resulted from the NMPA's review of the NDA for sintilimab. As such, relapsed/refractory classical Hodgkin's lymphoma is expected to be the first cancer indication for which sintilimab will be approved for marketing.

Clinical Development Plan

Since beginning clinical trials in October 2016 to the Latest Practicable Date, we have treated 567 patients with sintilimab. Based on these trials, we believe that sintilimab demonstrates anti-tumor activity across multiple tumor types and has an acceptable safety profile. In addition to our completed registration trial in China to evaluate sintilimab in patients with relapsed/refractory classical Hodgkin's lymphoma, we are executing a broad development program targeting an array of cancer indications including several registration trials for sintilimab, both as a monotherapy and as part of a combination therapy, and both in China and in the U.S., which is intended to support our regulatory submissions for multiple indications both in China and globally.

The chart below shows the indications for which we are currently evaluating sintilimab in clinical trials:

Indication	Mono-/Combo-Therapy (other components)	Status					
		IND (Accepted)	Phase 1		Phase 2	Phase 3	NDA (Filed)
			1a	1b			
China							
r/r classical Hodgkin's lymphoma	Mono						●
2L squamous NSCLC	Mono					◐	
1L non-squamous NSCLC	Combo (pemetrexed and platinum)					◐	
1L squamous NSCLC	Combo (gemcitabine and platinum)					◐	
EGFR+ TKI failure NSCLC	Combo (IBI-305)					◴	
1L hepatocellular carcinoma	Combo (IBI-305)					◴	
1L gastric cancer	Combo (capecitabine and oxaliplatin)					◴	
1L esophageal carcinoma	Combo (paclixel and cisplatin)					◴	
2L ESCC	Mono				◐		
r/r NK/T-cell lymphoma	Mono				◐		
2L NSCLC	Mono			◐			
1L/2L melanoma	Mono			◐			
Refractory gastrointestinal cancer	Mono			◐			
2L neuroendocrine tumor	Mono			◐			
1L non-squamous NSCLC	Combo (pemetrexed and platinum)			◐			
1L squamous NSCLC	Combo (gemcitabine and cisplatin)			◐			
1L gastric cancer	Combo (capecitabine and oxaliplatin)			◐			
Refractory solid tumors	Mono		◐				
U.S.							
Solid tumors	Mono			◴			
Late stage endometrial carcinoma	Mono			◴			

Notes:

1. Abbreviations: r/r = relapsed, refractory; 2L = second-line; 1L = first-line; NK/T-cell lymphoma = natural killer/T-cell lymphoma; ESCC = esophageal squamous cell carcinoma; NSCLC = non-small cell lung cancer; EGFR = epidermal growth factor receptor; TKI = tyrosine kinase inhibitor.

2. Symbols: ● = completed; ◐ = in progress; ◴ = to be initiated within next quarter.

3. Some indications may not require every clinical trial indicated on this chart to be completed prior to the filing of an NDA.

China

We have conducted a multi-center Phase 1a (dose escalation) study in China to evaluate the safety and efficacy of sintilimab as a monotherapy in cancer patients with no available standard of care therapy. We enrolled 12 patients and studied four Q3W dose strengths: 1 mg/kg, 3 mg/kg, 200 mg flat dose and 10 mg/kg. Four drug-related SAEs were observed, but no dose limiting toxicity was observed. Three patients are still on treatment and two partial responses (PRs) have been observed. Based on the results of this study, 200 mg flat dose was selected for further study.

NSCLC

We are conducting a multi-center Phase 3 clinical trial in China of sintilimab as a second-line monotherapy in patients with advanced or metastatic squamous NSCLC. This trial is designed as a superiority trial comparing sintilimab with standard of care chemotherapy using docetaxel. We have enrolled 119 patients in 34 trial sites as of June 7, 2018 and plan to enroll a total of 266 patients in this trial. The primary endpoint of this trial is overall survival.

We are conducting a multi-center Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg Q3W dose level in combination with pemetrexed and platinum in patients with first-line non-squamous NSCLC. As of June 28, 2018, we recruited 21 patients, exceeding our planned sample size of 20 patients at 4 trial sites. As of the same date, the combination demonstrated an ORR of 68.4%, based on data from 19 patients with at least one radiological assessment among the 21 patients. The study also demonstrated a safety profile for sintilimab that is consistent with the expected safety profile of a PD-1-specific antibody. Based on the results of this Phase 1b study, we have initiated a randomized, double-blinded, multi-center Phase 3 study in China to evaluate the safety and efficacy of sintilimab in combination with pemetrexed and platinum-based chemotherapy in patients with first-line non-squamous NSCLC. The primary endpoint of this Phase 3 study is progression free survival. We plan to enroll a total of 378 patients in this Phase 3 study.

We are conducting a Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg flat dose level every 3 weeks in combination with gemcitabine and cisplatin in patients with first-line squamous NSCLC. The endpoints of this trial are dose-limiting toxicity, tumor response, and clinical and laboratory adverse events. As of June 7, 2018, we recruited 18 out of 20 planned patients at 3 trial sites. The study demonstrated a safety profile for sintilimab that is consistent with the expected safety profile of a PD-1-specific antibody. Based on the results of this study, we plan to initiate a randomized Phase 3 clinical trial for the same combination therapy in China.

We are conducting a multi-center Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg Q3W dose level as a monotherapy in patients with second-line NSCLC. At the data cutoff of June 7, 2018, we completed patient enrollment, recruiting 37 patients at 6 trial sites and exceeding the planned sample size of 20 patients. As of September 1, 2018, 34 patients received at least one radiological assessment, of whom the ORR was 17.6% and the medium average survival was 13.8 months.

We are conducting a multi-center Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg Q3W dose level as a monotherapy in patients with neuroendocrine tumors for whom the standard therapy failed. As of September 1, 2018, we recruited 25 patients. Based on data from 22 patients who had at least one radiological assessment, the ORR was 22.7%. Furthermore, out of the 22 patients, 19 patients were with poorly differentiated neuroendocrine carcinoma and data from them demonstrated an ORR of 26.3%.

We plan to initiate a multi-center Phase 3 clinical trial in China to evaluate the efficacy of sintilimab in combination with our IBI-305 on patients with NSCLC or hepatocellular carcinoma. The relevant IND application was approved on September 18, 2018.

Esophageal Cancer

We have initiated a multi-center Phase 2 clinical trial in China of sintilimab as a second-line monotherapy in patients with advanced or metastatic esophageal squamous cell carcinoma. This trial is designed as a superiority trial comparing sintilimab with standard of care chemotherapy using paclitaxel or irinotecan. We have enrolled 139 patients in 26 trial sites as of June 7, 2018 and plan to enroll a total of 180 patients at 35 sites in this trial. The primary endpoint of this trial is overall survival.

NK/T-Cell Lymphoma

We have initiated a multi-center, single arm, Phase 2 study in China to evaluate the efficacy and safety of sintilimab in patients with relapsed/refractory extranodal NK/T-cell lymphoma (ENKTL) to assess the response to sintilimab treatment in ENKTL patients. Patients are dosed 200 mg every three weeks. We have enrolled 28 patients at 6 sites at the data cutoff of June 7, 2018, and plan to enroll a total of 60 patients in this trial. The primary endpoint of this trial is objective response rate.

Melanoma

We are conducting a multi-center Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg Q3W dose level as a monotherapy in patients with locally advanced, relapsed or metastatic melanoma. The endpoints of this trial are dose-limiting toxicity, tumor response, and clinical and laboratory adverse events. At the data cutoff of June 7, 2018, we completed patient enrollment, recruiting 22 patients and exceeding the planned sample size of 20 patients.

Gastrointestinal Cancer

We are conducting a multi-center Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg Q3W dose level as a monotherapy in patients with refractory gastrointestinal cancers. The endpoints of this trial are dose-limiting toxicity, tumor response, and clinical and laboratory adverse events. At the data cutoff of June 7, 2018, we completed patient enrollment, recruiting 87 patients at 4 trial sites and exceeding the planned sample size of 50 patients.

Gastric Cancer

We are conducting a multi-center Phase 1b (dose expansion) study in China to evaluate the safety and efficacy of sintilimab at 200 mg Q3W dose level in combination with capecitabine (Xeloda) and oxaliplatin (Eloxatin) in patients with first-line gastric cancer. The endpoints of this trial are dose-limiting toxicity, tumor response, and clinical and laboratory adverse events. At the data cutoff of June 7, 2018, we recruited 4 out of 20 planned patients and opened one trial site.

United States of America

We have begun the process of seeking FDA marketing authorization for sintilimab. The FDA approved our IND application for sintilimab in January 2018, and based on the strength of our pre-clinical data and clinical data from trials conducted in China we will not be required to conduct a dose finding Phase 1 study in the U.S. We plan to initiate a multi-center Phase 1b/2 clinical trial in the U.S. in 60 patients with solid tumors for whom no standard of care approved therapies exist. The study will investigate the role of tumor mutational burden as related to response to PD-1 blockade. A second cohort in the study will investigate the clinical activity in 20 patients with late stage endometrial carcinoma who have no available approved therapy.

Licenses, Rights and Obligations

We co-discovered sintilimab through our collaboration with Adimab as described under "– Collaboration Agreements – Collaboration with Adimab" below. We will co-promote sintilimab with Eli Lilly in China pursuant to an exclusive license and collaboration agreement as described under "– Collaboration Agreements – Collaboration with Eli Lilly" below.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SINTILIMAB SUCCESSFULLY.

Our Phase 3 Biosimilar Drug Candidates

Biosimilars are biologics similar to approved branded reference products. Unlike generics, biosimilars are not identical to their reference products and in some aspects have minor differences. The Biosimilars Guideline in China adopts an approach focused on stepwise development that involves demonstration of structural similarity and functional equivalence and yet stops short of providing sufficient details to be regarded as overarching guidelines and standards the compliance with which can be readily ascertained. Therefore, we have looked to and substantially followed the technical standards and guiding principles adopted by the US FDA for biosimilars, which we believe the NMPA may aim to emulate in the implementation of the regulatory approval pathway for biosimilars in China. In so doing, we believe that we have imposed standards above and beyond those provided in the Biosimilars Guideline. For instance, under the Biosimilars Guideline, the standards for clinical study data to substantiate bioequivalence between a biosimilar drug candidate and its reference product may be relaxed to the extent that results from pre-clinical studies have demonstrated sufficient similarity and also that results from clinical pharmacology studies suggest similarity in endpoints in clinical confirmation studies. Such relaxed standards are not available under the US FDA's biosimilar regulatory pathway and BLA requirements. We have not elected to and do not expect to take advantage of such relaxed standards for the assessment of applicable endpoints in clinical confirmation studies. In addition, we have voluntarily conducted Phase 1 clinical trials for some of our biosimilar drug candidates as discussed below, even though such early-stage trials are not required under the Biosimilars Guideline, as they are required under the US FDA's biosimilar regulatory pathway and BLA requirements. The goal of a biosimilar clinical development program is to confirm similarity with the reference product based on (1)

analytical studies for functional and structural characterization at various stages of the manufacturing process, (2) pre-clinical animal studies, (3) a clinical pharmacology study (a human pharmacokinetic/pharmacodynamic equivalence study), and (4) a confirmatory comparative pivotal clinical study in a representative indication evaluating safety, efficacy and immunogenicity. Consistent with this approach, we apply our integrated platform to the following four key steps of biosimilar development that are designed to provide the analytical, pre-clinical and clinical basis to establish biosimilarity and support regulatory approvals for our biosimilar drug candidates:

Step 1: CMC and Analytical Characterization. The amino acid sequence of a biosimilar drug candidate must precisely match that of its reference product. We validate the amino acid sequence of all biosimilar drug candidates through enzymatic digestion and peptide mapping using liquid chromatography-mass spectroscopy/mass spectroscopy (LC-MS/MS). We establish master cell banks and working cell banks for our biosimilar drug candidates and demonstrate their quality and stability in accordance with the ICH guidelines. We develop, scale up and implement a process to manufacture our biosimilar drug candidates in our GMP facility in order to ensure the manufactured products are suitable for use in clinical trials.

Once a biosimilar drug candidate has been manufactured, we use a variety of analytical characterization techniques and *in vitro* studies comparing our biosimilar drug candidate with its reference product to ensure that our biosimilar drug candidate closely matches the primary structure, higher order structure, product purity and impurities, charge and glycan heterogeneity, biological activity, Fc functions and other general properties of the reference product, as the results from such comparisons may be predictive of clinically relevant differences in PK, PD, efficacy, safety and immunogenicity between our biosimilar drug candidate and its reference product. These techniques and studies include but are not limited to differential scanning calorimetry (DSC), cation-exchange chromatography (CEX-HPLC), high performance liquid chromatography with fluorescence detection (UHPLC-FLD), size exclusion chromatography (SEC-HPLC), capillary electrophoresis sodium dodecyl sulfate (CE-SDS), cell-based potency, ELISA blinding potency, and Bio-layer Interferometry (BLI).

Step 2: Pre-clinical Studies. After we demonstrate the *in vitro* biosimilarity, we compare our biosimilar drug candidate with the reference product in relevant animal models using the intended dosage form and route of administration prior to performing human clinical trials, since PK, PD and safety observations from these studies may be predictive of the human clinical trial experience. In general, two studies are required in relevant animal models to provide sufficient pre-clinical rationale to advance to the clinical pharmacology study.

Step 3: Clinical Pharmacology Study. An essential regulatory requirement is the completion of a clinical study in a sufficient number of human subjects directly comparing our biosimilar drug candidate and its reference product to establish PK/PD similarity. Bioequivalence is generally measured by three defined parameters as follows:

- C_{max}: maximum measured serum concentration;

- AUC_{0-t}: area under the concentration-time curve from the first time point measured (0) to the last time point measured (t); and

- $AUC_{0\text{-}inf}$: area under the concentration-time curve from the first time point measured (0) extrapolated to infinity.

The area under the curve, or the AUC, is a measure of how much of a drug is in a patient's system over a given time period. In order to calculate the AUC, the concentration of the drug in blood serum or plasma is plotted over time starting at the time the drug is administered and ending when the last time point is collected ($AUC_{0\text{-}t}$) or when the serum or plasma concentration would be below the level of detection or zero ($AUC_{0\text{-}inf}$), and then the area under this curve is calculated. To be deemed bioequivalent, for each parameter, the ratio of the biosimilar drug candidate and the reference product shall fall between 80% and 125%, with the identical match being at 100%.

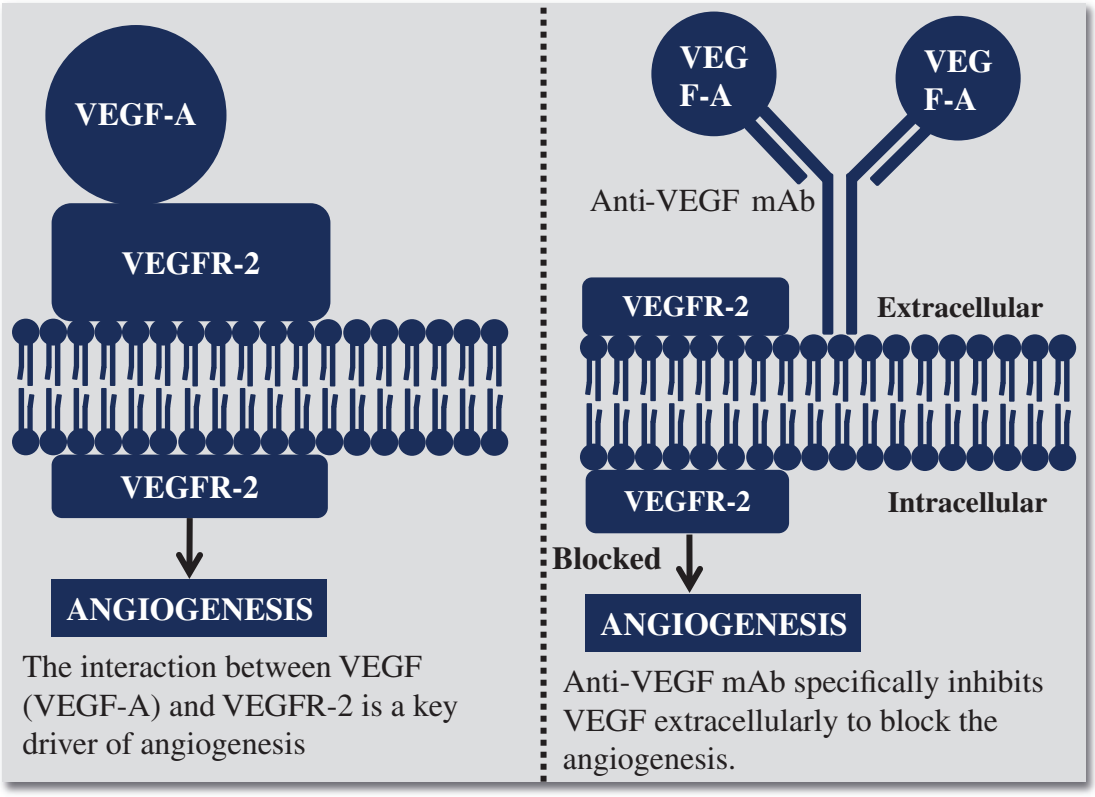
Step 4: Clinical Confirmation Studies. The final step to support regulatory approval for a biosimilar drug candidate is a single Phase 3 confirmatory safety and efficacy study in a therapeutic indication for which the reference product has been approved. The objective of this study is to demonstrate biosimilarity between the two molecules with respect to both safety and efficacy. Trial endpoints include considerations such as the number of subjects, statistical significance, confidence intervals and accumulated safety database size. We currently do not have safety data relating to our biosimilar product candidates available because our clinical confirmation studies are double blind trials which are still ongoing. Only upon the closure of such trials the safety data will be "unblinded" and cleansed and become available.

IBI-305 is our biosimilar product candidate to bevacizumab, which is sold under the trade name Avastin (阿瓦斯汀) in China.

Mechanism of Action

Bevacizumab is a recombinant fully-humanized monoclonal antibody that decreases the growth of blood vessels (this growth is referred to as angiogenesis) by inhibiting vascular endothelial growth factor A (VEGF-A). VEGF-A is a protein that stimulates angiogenesis which in turn promotes the growth of certain solid tissues, including solid tumors.

As illustrated by the following graph, VEGF-A can bind with VEGFR-2 and activate the downstream pathway to angiogenesis. Anti-VEGF monoclonal antibody such as bevacizumab can bind with VEGF, including VEGF-A, and thus block the angiogenesis pathway and depress the growth of solid tumors.



Source: Frost & Sullivan analysis

Market Opportunity and Competition

Non-small cell lung cancer (NSCLC) is a subset of lung cancer. According to the Frost & Sullivan Report, in China, NSCLC patients increased from 0.6 million in 2013 to 0.7 million in 2017, representing a CAGR of 3.5%, and are expected to reach 0.8 million in 2022 at a CAGR of 2.7% from 2017 to 2022 and reach 1.1 million in 2030 with a CAGR of 3.1% from 2023 to 2030.

Avastin is the best-selling drug among all anti-VEGF monoclonal antibodies. According to the Frost & Sullivan Report, worldwide sales of Avastin were US$6.8 billion in 2017 and are estimated to remain near US$7 billion in 2018.

Bevacizumab has been approved for advanced relapsed/refractory NSCLC and metastatic CRC in China and has been included in the National Reimbursement Drug List. According to the Frost & Sullivan Report, the China sales of bevacizumab were RMB1.7 billion in 2017 and are expected to reach RMB8.8 billion in 2022 and RMB16.6 billion in 2030. There is one other bevacizumab biosimilar drug candidate for which NDA has been submitted to NMPA. Besides our IBI-305, there are seven other bevacizumab biosimilar drug candidates in Phase 3 clinical trials in China.

Competition in the oncology therapeutic area to which IBI-305 belongs is extremely fierce given the abundance of existing competing drugs and drug candidates that continue to increase competition in the market. The following table sets forth comparisons between IBI-305 and its competitive drug candidates in China which are approved to market or in late stage clinical trials:

Comparison Between IBI-305 and its Approved or Late-Stage Competitors in China

Generic (Brand) Name/ Drug Code	Company	Filing Status in China	Date*	Mechanism of Action	Lead/Proposed Indications	Retail Price (RMB)	NRDL/PRDL[(1)]
IBI-305	Innovent	Phase 3	2016/11/17	Anti-VEGF	R/r NSCLC and metastatic CRC	N.A.	N.A.
Bevacizumab (Avastin)	Roche	Marketed	2010/2/26	Anti-VEGF	Metastatic CRC and advanced r/r NSCLC	1,998/100 mg	List B
HLX04	Henlius	Phase 3	2018/3/18	Anti-VEGF	Metastatic CRC	N.A.	N.A.
QL1101	Qilu	NDA submission	2018/8/15	Anti-VEGF	NSCLC	N.A.	N.A.
GB222	Genor	Phase 3	2017/12/15	Anti-VEGF	NSCLC	N.A.	N.A.
MIL60	Beijing mAbworks	Phase 3	2017/8/4	Anti-VEGF	A/R non-squamous NSCLC	N.A.	N.A.
LY01008	Shandong Boan	Phase 3	2018/1/28	Anti-VEGF	NSCLC	N.A.	N.A.
BP102	Hengrui	Phase 3	2018/3/27	Anti-VEGF	Non-squamous NSCLC	N.A.	N.A.
TAB008	TOT Biopharm	Phase 3	2017/5/17	Anti-VEGF	A/R non-squamous NSCLC	N.A.	N.A.
BAT1706	Bio-Thera Solutions	Phase 3	2017/10/31	Anti-VEGF	Non-squamous NSCLC	N.A.	N.A.

Source: Frost & Sullivan

Abbreviation: NRDL = national reimbursement drug list of China; PRDL = provincial reimbursement drug list;

"N.A." means, with respect to retail price, not available, and with respect to NRDL/PRDL, not applicable because the drug candidate is not marketed yet.

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期); for a product with NDA submitted and the NDA result pending, it refers to the date of NDA submission.

(1) Bevacizumab are included in the NRDL List B Catalogue. As Bevacizumab entered into the NRDL List B Catalogue via price negotiation, it will automatically be added into the PRDLs when each provinces and municipalities updates its PRDL according to Notice on Inclusion of 36 Drugs in NRDL List B Catalogue for National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (《關於將36種藥品納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知》). As of August 9, 2018, eight provinces and municipalities, including Heilongjiang, Shanghai, Henan, Jilin, Jiangxi, Shandong, Jiangsu and Liaoning, have recently updated their PRDLs to include bevacizumab as a List B drug.

Current Development Status and Data

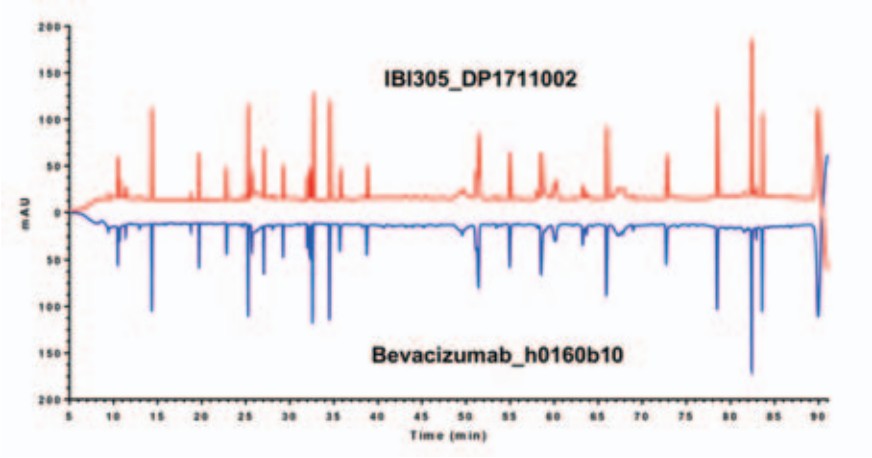
Step 1: CMC and Analytical Characterization

We have developed, manufactured and characterized a master cell bank and demonstrated its quality and stability in accordance with the ICH guidelines. We have also completed development of a stable and controllable production process for IBI-305 and demonstrated through comprehensive studies that the stability of drug substance and drug product comply with the requirements of clinical research.

We completed extensive analytical characterization and *in vitro* studies comparing IBI-305 to the reference product Avastin.

We have confirmed through Lys-C peptide mapping that the amino acid sequence of IBI-305 is identical to that of the reference product Avastin, which is required for the biosimilar pathway under NMPA regulations. The graph below shows the peptide fingerprint of IBI-305 compared with Avastin. IBI-305 and Avastin were fragmented by endoproteinase Lys-C degradation and the peptides were separated by liquid chromatography-mass spectroscopy/mass spectroscopy (LC-MS/MS). This technology creates a peptide fragment-based fingerprint for proteins. If the fingerprints are identical, it can be inferred that two proteins have identical amino acid primary structure.

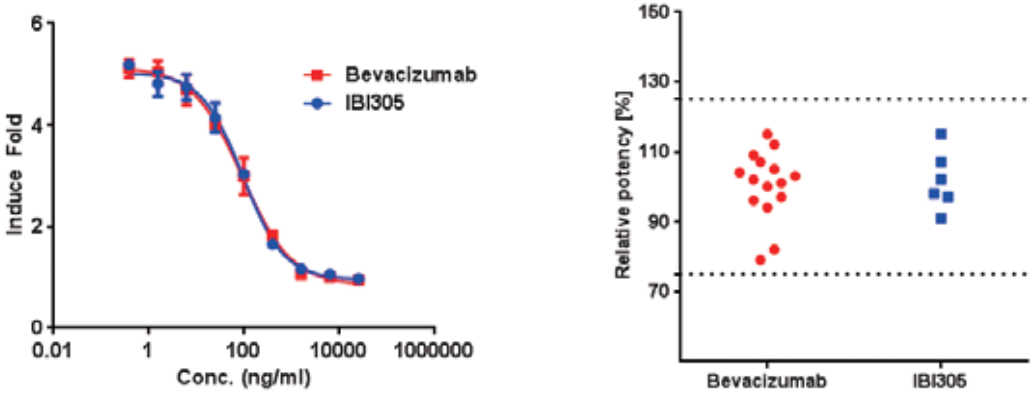
The peptide fingerprint of IBI-305 is highly similar to bevacizumab (Avastin)



Abbreviation: mAU = mAnson Unit (a unit of measurement for enzyme activity)

A cell-based potency assay demonstrated that IBI-305 and Avastin have similar *in vitro* potency. As shown in the left hand panel of the following figure, when increasing concentration of IBI-305 and Avastin are incubated in the reporter assay, both antibodies block VEGF induced activation of the reporter gene with identical potency. The right hand panel of the following figure demonstrates that multiple lots of IBI-305 and Avastin have similar potency.

Cell-based potency assay shows similarity in potency between IBI-305 and Avastin

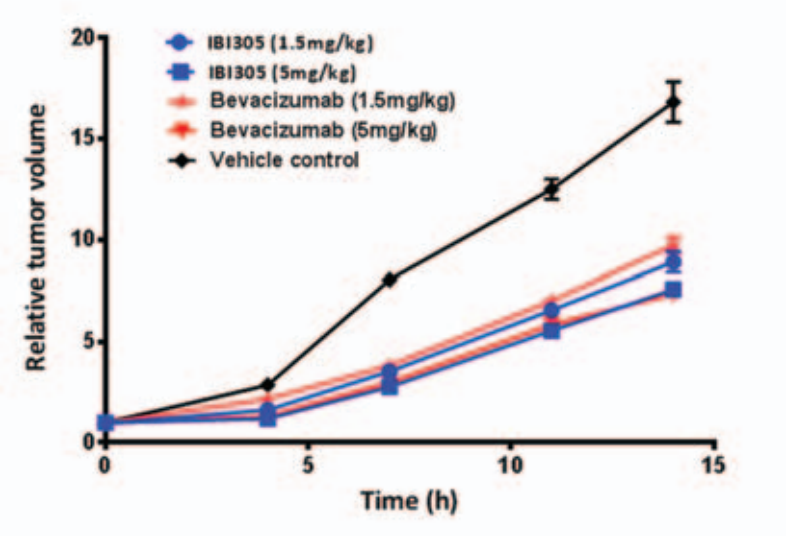


Step 2: Pre-clinical Studies

We have performed comprehensive pre-clinical studies of IBI-305 and the results indicate that IBI-305 has an efficacy, toxicity and PK/PD profile which is similar to that of Avastin.

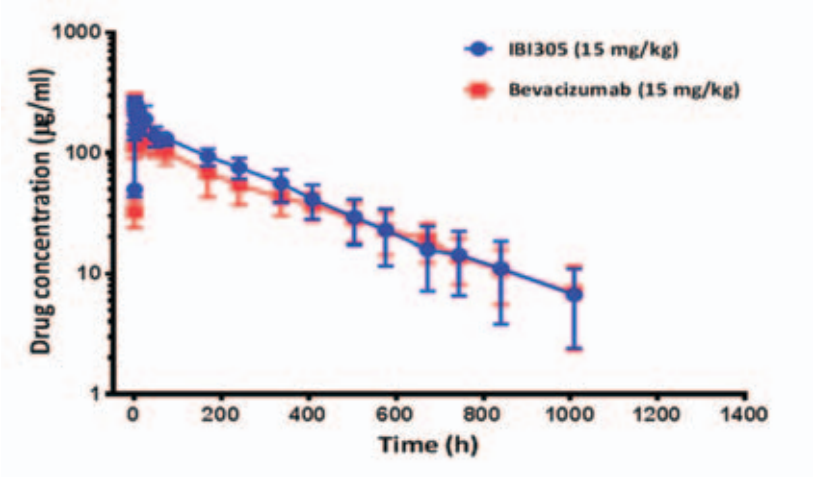
The figure below demonstrates that, at both 1.5 mg/kg and 5 mg/kg dosage levels, there were no statistical differences in the relative tumor volume between IBI-305 dosed animals and Avastin dosed animals. These results indicate similarity in tumor-suppressive efficacy between IBI-305 and Avastin.

The anti-tumor efficacy of IBI-305 and bevacizumab are similar



The PK profiles of IBI-305 and Avastin are highly similar. As shown in the figure below, there were no statistical differences in drug concentration between IBI-305 dosed animals and Avastin dosed animals at the same time points throughout the study. These results indicate the similarity in the PK profile between IBI-305 and Avastin.

The PK profiles of IBI-305 and Avastin in cynomolgus monkeys are highly similar



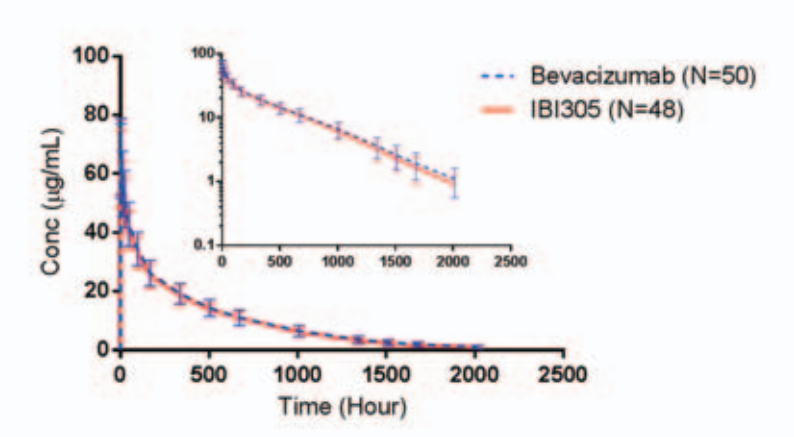
We conducted additional toxicology studies in cynomolgus monkey to determine the potential for harmful antibody responses to IBI-305 or other toxic effects in comparison with Avastin. We found no differences between IBI-305 and Avastin in terms of potentially harmful antibody responses or other toxicities.

Step 3: Clinical Pharmacology Study

Our IND application for IBI-305 was approved by the NMPA in May 2016 to follow the biosimilar regulatory development pathway based on the demonstrated similarity to the reference product in the CMC and pre-clinical studies. Since then, we have completed a randomized double-blind parallel controlled clinical trial in China to assess the PK/PD, safety, tolerance and immunogenicity of a single 3 mg/kg dose of IBI-305 compared to Avastin in 100 healthy volunteers. Similar to bevacizumab (Avastin), no serious adverse events were observed in the study for IBI-305. The primary endpoints of $AUC_{0\text{-}inf}$ (extrapolated total area under plasma curve to time infinity) and $AUC_{0\text{-}t}$ (area under the plasma concentration-time curve), as well as C_{max} (the peak serum concentration that a drug achieves in a test area of the body after drug administration), $t_{½}$ (half-life), drug clearance and volume of distribution, were similar for IBI-305 and bevacizumab (Avastin) at a 3 mg/kg dose level. For each of $AUC_{0\text{-}inf}$ and $AUC_{0\text{-}t}$, the 90% confidence intervals (90% CI) for the ratio of IBI-305 to bevacizumab (Avastin) were fully contained within 80% to 125%, confirming the bioequivalence between IBI-305 and bevacizumab (Avastin). As shown in the following graph, the PK profile plots demonstrated substantial overlap for the profile of IBI-305 and bevacizumab (Avastin) out to 2,000 hours after a single dose administration in normal volunteers.

We have not seen unexpected adverse events with IBI-305 in this study. Safety data from these small and short clinical pharmacology studies aimed at establishing bioequivalence are not useful, representative or material. The useful or material safety data set only comes from the large and lengthy clinical confirmation studies at Step 4.

The PK profiles of IBI-305 and bevacizumab (Avastin) in normal volunteers are bioequivalent



Note: The inset is a log transformation of the PK data to better illustrate the lower ranges of antibody concentration.

Step 4: Clinical Confirmation Studies

We are conducting a randomized, double blind, multi-center, Phase 3 study in China to evaluate the efficacy, safety and immunogenicity of IBI-305 in combination with chemotherapy compared to bevacizumab in combination with chemotherapy in patients with advanced or recurrent non-squamous non-small cell lung cancer (non-squamous-NSCLC). The study randomizes 436 patients at a 1:1 ratio to two treatment arms. The primary endpoint of this study is objective response rate. As of June 7, 2018, we opened 42 trial sites and completed patient enrollment. We recruited a total of 450 patients, exceeding our planned 436 patients. Based on internal review of the progress of this trial and preliminary clinical observations, we expect to complete this trial and, if the data successfully demonstrated biosimilarity, to have a pre-NDA meeting with, and submit an NDA to, the NMPA in the first quarter of 2019.

We have not seen unexpected adverse events with IBI-305 in this trial. The aggregate safety data for this trial cannot be disclosed at the date of this prospectus because the trial is double blind and has not been unblinded yet and the trial data base has not been locked. The trial data base is expected to be locked on October 30, 2018. The blinded analysis of the interim trial data shows that the safety profile of IBI-305 is consistent with the reported safety profile for Avastin. We expect the safety data for IBI-305 to become available for disclosure in the first quarter of 2019 and we will promptly disclose such data by way of announcement on the Stock Exchange.

Adverse reactions to the reference drug

According to the prescribing information of Avastin, the most common adverse reactions observed in patients receiving Avastin as a single agent or in combination with chemotherapy at a rate > 10%, are epistaxis, headache, hypertension, rhinitis, proteinuria, taste alteration, dry skin, rectal hemorrhage, lacrimation disorder, back pain and exfoliative dermatitis. Across clinical studies, Avastin was discontinued in 8% to 22% of patients because of adverse reactions.

The safety of Avastin was evaluated as first-line treatment in 422 patients with unresectable NSCLC who received at least one dose of Avastin in an active-controlled, open-label, multicenter trial. Only Grade 3-5 non hematologic and Grade 4-5 hematologic adverse reactions were collected. Grade 3-5 non hematologic and Grade 4-5 hematologic adverse reactions occurring at a higher incidence (≥ 2%) in patients receiving Avastin with paclitaxel and carboplatin compared with patients receiving chemotherapy alone were neutropenia (27% vs. 17%), fatigue (16% vs. 13%), hypertension (8% vs. 0.7%), infection without neutropenia (7% vs. 3%), venous thromboembolism (5% vs. 3%), febrile neutropenia (5% vs. 2%), pneumonitis/pulmonary infiltrates (5% vs. 3%), infection with Grade 3 or 4 neutropenia (4% vs. 2%), hyponatremia (4% vs. 1%), headache (3% vs. 1%) and proteinuria (3% vs. 0%).

Licenses, Rights and Obligations

We obtained CHO cell line that expresses IBI-305 from Suzhou-based Alphamab Co. Ltd., or Alphamab. We currently have no material further monetary obligations to Alphamab with respect to IBI-305.

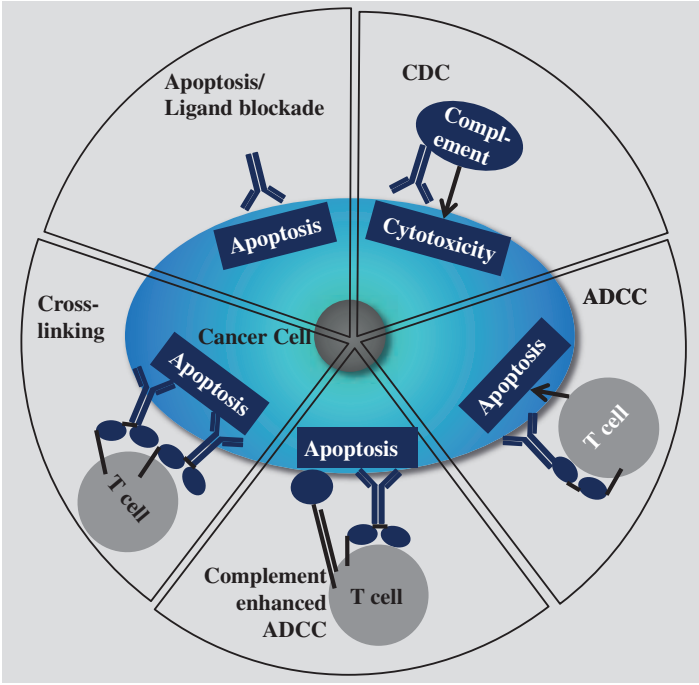
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IBI-305 SUCCESSFULLY.

IBI-301 is our biosimilar product candidate to rituximab, which is sold under the trade names MabThera (美羅華) in China and MabThera/Rituxan outside China.

Mechanism of Action

Rituximab is a recombinant chimeric monoclonal antibody that binds to the cell surface protein CD20, which is widely expressed on immune system B-cells. Rituximab mediates antibody-dependent cellular cytotoxicity (ADCC) and complement-dependent cytotoxicity (CDC), and induces programmed cell death, or apoptosis, of CD20 positive cells. These activities result in the elimination of B-cells (including the cancerous ones) from the body.

Mechanisms of action of anti-CD20 mAbs



Source: FDA, Frost & Sullivan analysis

Notes:

CD20 mAbs can induce tumor killing in several ways.

A. Direct binding of CD20 mAbs initiates the crosslinking of multiple CD20 molecules, resulting in cell-death via induction of non-classical apoptosis;

B. Activation of complement results in complement-dependent cytotoxicity;

C. Recognition of opsonized tumor cells by FcγRs expressed on immune effector cells initiates antibody-dependent cell-mediated cytotoxicity;

D. FcγR may only serve as crosslinking platform and thereby enhance antigen signaling in the tumor cells;

E. Ab-initiated complement activation yields to deposition of complement cleavage fragments, which may enhance tumor killing through recognition by complement receptors (CRs) in a process called complement-enhanced ADCC.

Market Opportunities and Competition

Originally developed by Roche and Genentech, and first approved for marketing in 1997, rituximab is used for treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis, granulomatosis with polyangiitis, idiopathic thrombocytopenic purpura, pemphigus vulgaris and myasthenia gravis. Rituxan reached US$7.5 billion in worldwide sales in 2017, according to the Frost & Sullivan Report.

According to Frost & Sullivan Report, there were 81,800 new cases of non-Hodgkin's lymphoma in China in 2017, and the incidence is expect to increase to 90,100 in 2022. These

patients currently have only limited treatment options. MabThera was approved for treatment of non-Hodgkin's lymphoma in China and has been listed in National Reimbursement Drug List 2017. Besides our IBI-301, there are one other rituximab biosimilar drug candidate with an NDA under review by the NMPA and two other rituximab biosimilar drug candidates in Phase 3 clinical trials in China.

Competition in the oncology therapeutic area to which IBI-301 belongs is extremely fierce given the abundance of existing competing drugs and drug candidates that continue to increase competition in the market. The following table sets forth comparisons between IBI-301 and its competitive drug candidates in China which are approved to market or in late stage clinical trials:

Comparison Between IBI-301 and its Approved or Late-Stage Competitors in China

Generic (Brand) Name/ Drug Code	Company	Filing Status in China	Date*	Mechanism of Action	Lead/Proposed Indications	Retail Price (RMB)	NRDL/PRDL[(1)]
IBI-301	Innovent	Phase 3	2016/08/19	Anti-CD20	DLBCL	N.A.	N.A.
Rituximab (MabThera/ Rituxan)	Roche	Marketed	2000/3/15	Anti-CD20	R/r follicular central lymphoma, CD20-positive DLBCL	2,418/100 mg 8,290/500 mg	List B
HLX01	Henlius	NDA submission	2017/12/11	Anti-CD20	DLBCL	N.A.	N.A.
SCT400	SinoCelltech	Phase 3	2016/6/6	Anti-CD20	CD20-positive DLBCL	N.A.	N.A.
Obinutuzumab (Gazyva)	Roche	Phase 3	2014/12/30	Anti-CD20	NHL	N.A.	N.A.

Source: Frost & Sullivan

Abbreviation: NRDL = national reimbursement drug list of China; PRDL = provincial reimbursement drug list;

"N.A." means, with respect to retail price, not available, and with respect to NRDL/PDRL, not applicable because the drug candidate is not marketed yet.

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期); for a product with NDA submitted and the NDA result pending, it refers to the date of NDA submission.

(1) Rituximab are included in the NRDL List B Catalogue. As Rituximab entered into the NRDL List B Catalogue via price negotiation, it will automatically be added into the PRDLs when each provinces and municipalities updates its PRDL according to Notice on Inclusion of 36 Drugs in NRDL List B Catalogue for National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (《關於將36種藥品納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知》). As of August 9, 2018, eight provinces and municipalities, including Heilongjiang, Shanghai, Henan, Jilin, Jiangxi, Shandong, Jiangsu and Liaoning, have recently updated their PRDLs to include rituximab as a List B drug.

Current Development Status and Data

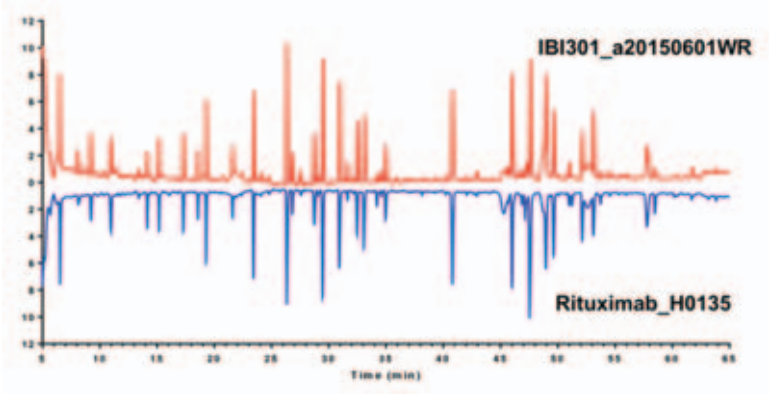
Step 1: CMC and Analytical Characterization

We have developed, manufactured and characterized a master cell bank and demonstrated its quality and stability in accordance with the ICH guidelines. We have also completed development of a stable and controllable production process for IBI-301 and demonstrated through comprehensive studies that the stability of drug substance and drug product comply with the requirements of clinical research.

We completed extensive analytical characterization and *in vitro* studies comparing IBI-301 to Rituxan.

We have confirmed through Lys-C peptide mapping that the amino acid sequence of IBI-301 is identical to that of the reference product (MabThera/Rituxan), which is required for the biosimilar pathway under NMPA regulations. The graph below shows peptide fingerprint of IBI-301 compared with Rituxan. IBI-301 and Rituxan were fragmented by endoproteinase Lys-C degradation and the peptides were separated by liquid chromatography-mass spectroscopy/mass spectroscopy (LC-MS/MS). This technology creates a peptide fragment-based fingerprint for proteins. If the fingerprints are identical it can be inferred that two proteins have identical amino acid primary structure.

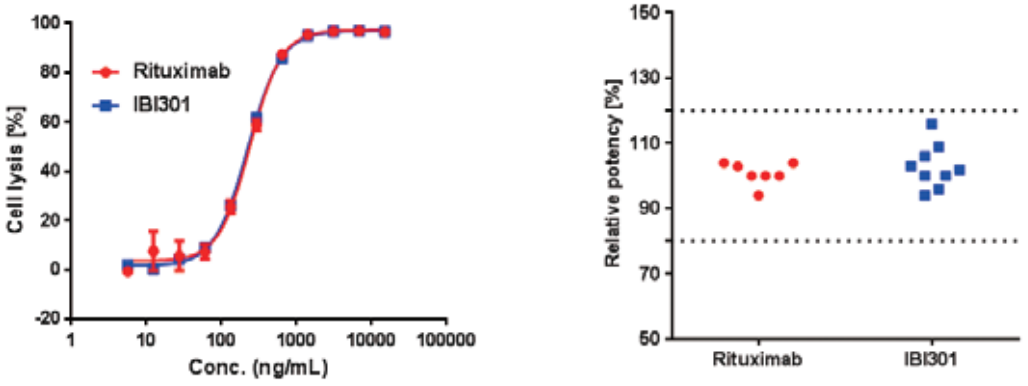
The peptide fingerprint of IBI-301 is highly similar to Rituxan



Abbreviation: mAU = mAnson Unit (a unit of measurement for enzyme activity)

One major mechanism of action of rituximab is complement-dependent cytotoxicity (CDC). A cell-based potency assay based on the accurate measurement of CDC demonstrated equivalent *in vitro* potency between IBI-301 and Rituxan. As shown in the left panel of the following figure, when increasing concentrations of the two antibodies are incubated in the reporter assay, the CDC activities as measured by cellular lysis are identical. The right hand panel of the following figure shows that multiple lots of IBI-301 and rituximab (MabThera/Rituxan) have similar potency.

Cell-based potency assay shows similarity in potency for IBI301 and Rituxan

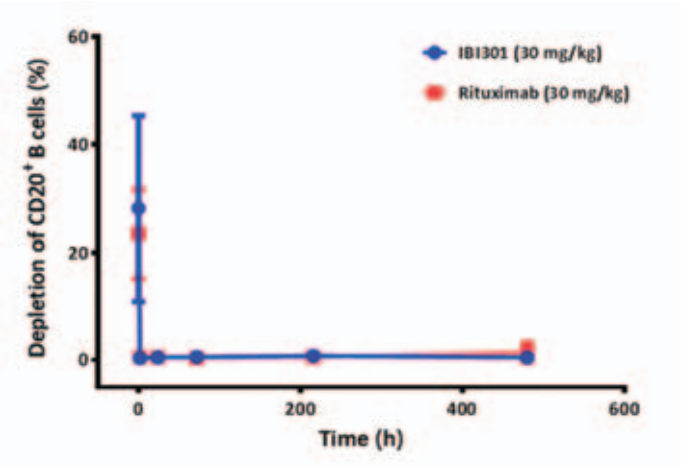


Step 2: Pre-clinical Studies

We have performed comprehensive pre-clinical studies of IBI-301 and the results indicate that IBI-301 has an efficacy, toxicity and PK/PD profile which is similar to that of Rituxan.

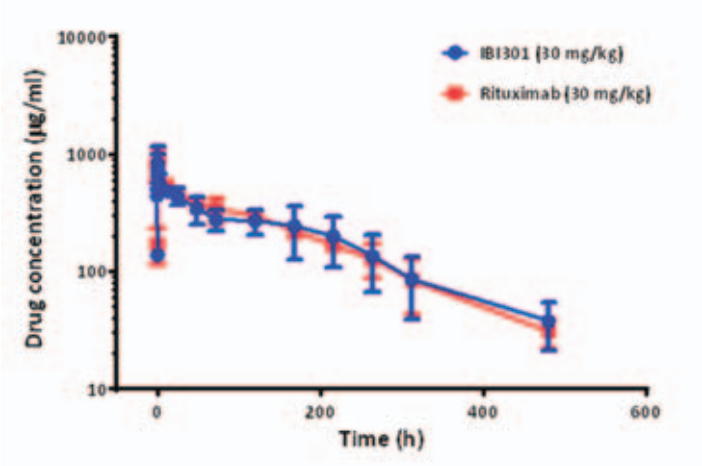
The figure below shows that both of IBI-301 and rituximab (MabThera/Rituxan) are effective in the complete and persistent depletion of CD20 positive B cells in the peripheral circulation of monkeys after a single dose of 30 mg/kg. These results indicate similarity in efficacy between IBI-301 and rituximab (MabThera/Rituxan).

Similarity in PD for IBI-301 and Rituxan in Cynomolgus monkeys



The results of our studies also demonstrate the similarity in the PK profiles between IBI-301 and rituximab (MabThera/Rituxan). As shown in the figure below, there are no statistical differences in drug concentration between IBI-301 dosed animals and rituximab (MabThera/Rituxan) dosed animals at the same time points throughout the study. These results indicate the similarity in the PK profile between IBI-301 and rituximab (MabThera/Rituxan).

Similarity in PK profiles for IBI-301 and rituximab (MabThera/Rituxan) in cynomolgus monkeys



Step 3: Clinical Pharmacology Study

Our IND application for IBI-301 was approved by the NMPA in September 2014 in accordance with the biosimilar regulatory development pathway based on the demonstrated similarity to the reference product in the CMC and pre-clinical studies. We are conducting a multi-center clinical trial to assess PK/PD, safety, tolerance and immunogenicity of IBI-301 in CD20 positive B-cell lymphoma patients who obtained complete remission or uncertain complete remission after the prior therapy. The primary endpoints of this study are $AUC_{0\text{-}inf}$ (the area under the curve from zero to infinity, which is the definite integral in a plot of drug concentration in blood plasma vs. time) and $AUC_{0\text{-}t}$. As of June 7, 2018, 160 patients at 15 trial sites are enrolled in the trial and 142 of these patients have completed trial procedures. We expect to complete this clinical pharmacology study in the second quarter of 2019.

We have not seen unexpected adverse events with IBI-301 in this study. Safety data from these small and short clinical pharmacology studies aimed at establishing bioequivalence are not useful, representative or material. The useful or material safety data set only comes from the large and lengthy clinical confirmation studies at Step 4.

Step 4: Clinical Confirmation Studies

We are conducting a randomized, double-blind, multi-center, Phase 3 trial in China to evaluate the efficacy, PK/PD, safety and immunogenicity of IBI-301 for the treatment of patients with first-line diffuse large B-cell lymphoma (DLBCL) in combination with standard chemotherapy. The primary endpoint of this trial is objective response rate. As of September 14, 2018, we opened 52 trial sites and completed patient enrollment. We recruited a total of 419 patients in this trial, exceeding our planned 400 patients. Based on internal review of the progress of this trial and preliminary clinical observations, we expect to complete this trial and, if the data demonstrates biosimilarity, to have a pre-NDA meeting with, and submit an NDA to, the NMPA in the fourth quarter of 2019.

We have not seen unexpected adverse events with IBI-301 in this trial. The aggregate safety data for this trial cannot be disclosed at the date of this prospectus because the trial is double blind and is still ongoing. We have not encountered any material inconsistencies with the reported safety profile for Rituxan in the aggregated data from this clinic trial program. We expect the safety data to become available for disclosure in the third quarter of 2019 after trial completion and we will promptly disclose such data by way of announcement on the Stock Exchange.

Adverse reactions to the reference drug

According to the prescribing information of Rituxan, the most common adverse reactions (incidence ≥ 25%) observed in clinical trials of patients with non-Hodgkin's lymphoma (NHL) were infusion reactions, fever, lymphopenia, chills, infection and asthenia. In the majority of patients with NHL, infusion reactions consisting of fever, chills/rigors, nausea, pruritus, angioedema, hypotension, headache, bronchospasm, urticaria, rash, vomiting, myalgia, dizziness, or hypertension occurred during the first Rituxan infusion.

The incidence of infusion reactions was highest during the first infusion (77%) and decreased with each subsequent infusion. Serious infections, including sepsis, occurred in less than 5% of patients with NHL in the single-arm studies. The overall incidence of infections was 31% (bacterial 19%, viral 10%, unknown 6%, and fungal 1%). In the patients with DLBCL, viral infections occurred more frequently in those who received Rituxan. In patients with NHL receiving Rituxan monotherapy, NCI-CTC Grade 3 and 4 cytopenias were reported in 48% of patients. These included lymphopenia (40%), neutropenia (6%), leukopenia (4%), anemia (3%), and thrombocytopenia (2%). The median duration of lymphopenia was 14 days (range, 1–588 days) and of neutropenia was 13 days (range, 2–116 days). A single occurrence of transient aplastic anemia (pure red cell aplasia) and two occurrences of hemolytic anemia following Rituxan therapy occurred during the single-arm studies. In studies of monotherapy, Rituxan-induced B-cell depletion occurred in 70% to 80% of patients with NHL. Decreased IgM and IgG serum levels occurred in 14% of these patients.

Licenses, Rights and Obligations

We contracted with Medicilon to obtain CHO cell line that expresses IBI-301. We have no material further monetary and technical obligations to Medicilon with respect to IBI-301. We will co-promote IBI-301 with Eli Lilly in China pursuant to an exclusive license and collaboration agreement as described under "– Collaboration Agreements – Collaboration with Eli Lilly" below.

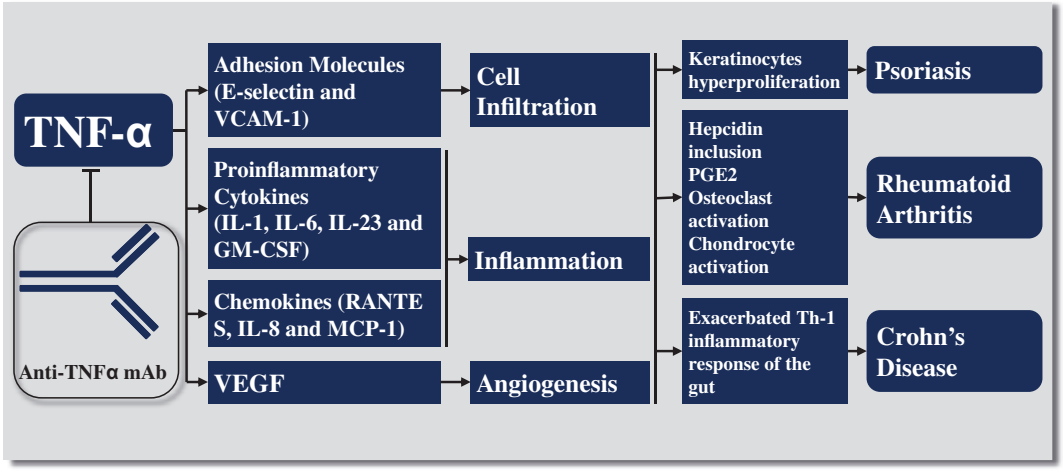
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IBI-301 SUCCESSFULLY.

IBI-303 is our biosimilar product candidate to adalimumab, which is sold under the trade name Humira (修美樂) in China.

Mechanism of Action

Adalimumab is a fully human monoclonal antibody that can bind to a protein called tumor necrosis factor-α (TNF-α). As illustrated by the following graph, TNF-α stimulates inflammatory responses, regulates innate immunity and plays an important role in regulation of Th1 immune responses against intracellular bacteria and certain viral infections. Dysregulated TNF-α can also contribute to numerous pathological situations, including various autoimmune and inflammatory diseases. Treatment with adalimumab inhibits the action of TNF-α and ameliorates such diseases.

Pathway of induction of diseases by dysregulated TNF-α



Source: American College of Radiology, Frost & Sullivan analysis

Market Opportunity and Competition

Adalimumab has been approved by the EMA and the FDA for the treatment of rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn's disease, ulcerative colitis and psoriasis when conventional therapies are not sufficiently effective. Worldwide sales of adalimumab exceeded US$18.9 billion in 2017. According to the Frost & Sullivan Report, the prevalence of rheumatoid arthritis in China increased from 5.7 million in 2013 to 5.8 million in 2017 and is expected to further increase to 6.0 million by 2022 and 6.2 million by 2030. Also according to the Frost & Sullivan Report, the prevalence of ankylosing spondylitis in China increased from 3.7 million in 2013 to 3.8 million in 2017 and is expected to further increase to 3.9 million by 2022 and 4.1 million by 2030.

Adalimumab (sold under the trade name Humira by AbbVie) and golimumab (sold under the trade name Simponi by Johnson & Johnson) were approved by the NMPA in China as a treatment for rheumatoid arthritis, ankylosing spondylitis and psoriasis. Simponi was also approved in China as a treatment for ulcerative colitis. There are two other adalimumab biosimilar drug candidates for which NDAs have been submitted to NMPA. Besides our IBI-303, there are two other adalimumab biosimilar drug candidates in Phase 3 clinical trials in China.

Competition in the autoimmune therapeutic area to which IBI-303 belongs is extremely fierce given the abundance of existing competing drugs and drug candidates that continue to increase competition in the market. The following table sets forth comparisons between IBI-303 and its competitive drug candidates in China which are approved to market or in late stage clinical trials:

Comparison Between IBI-303 and its Approved or Late-Stage Competitors in China

Generic (Brand) Name/ Drug Code	Company	Filing Status in China	Date*	Mechanism of Action	Lead/Proposed Indications	Retail Price (RMB)	NRDL/PRDL
IBI-303	Innovent	Phase 3	2016/9/13	Anti-TNF α	Ankylosing Spondylitis	N.A.	N.A.
Adalimumab (Humira)	AbbVie	Marketed	2010/2/26	Anti-TNF	Rheumatoid arthritis, ankylosing spondylitis, Psoriasis	7,600/40 mg	No
Golimumab (Simponi)	Johnson & Johnson	Marketed	2017/12/28	Anti-TNF	Rheumatoid arthritis, psoriatic arthritis, Ankylosing spondylitis, Ulcerative colitis	5,180/50 mg	No
HLX03	Henlius	Phase 3	2017/11/27	Anti-TNF α	Moderate-severe Plaque psoriasis	N.A.	N.A.
UBP1211	Jiangsu Union	Phase 3	2017/5/27	Anti-TNF α	Rheumatoid Arthritis	N.A.	N.A.
BAT1406	Bio-Thera Solutions	NDA submission	2018/8/27	Anti-TNF α	Ankylosing Spondylitis	N.A.	N.A.
HS016	Zhejiang Hisun	NDA submission	2018/9/14	Anti-TNF α	Ankylosing Spondylitis	N.A.	N.A.

Source: Frost & Sullivan

Abbreviation: NRDL = national reimbursement drug list of China; PRDL = provincial reimbursement drug list;

"No" means that the drug is not list in the NRDL or the PRDL even though it is marketed;

"N.A." means, with respect to retail price, not available, and with respect to NRDL/PDRL, not applicable because the drug candidate is not marketed yet.

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期); for a product with NDA submitted and the NDA result pending, it refers to the date of NDA submission.

Current Development Status and Data

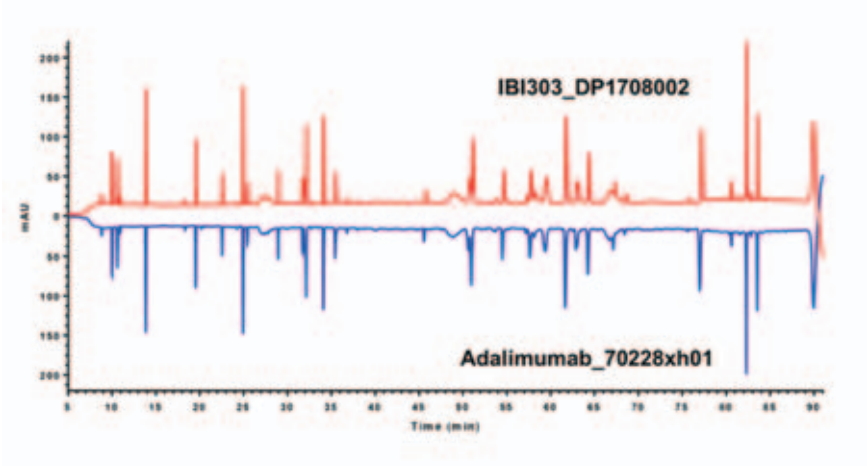
Step 1: CMC and Analytical Characterization

We have developed, manufactured and characterized a master cell bank and demonstrated its quality and stability in accordance with the ICH guidelines. We have also completed development of a stable and controllable production process for IBI-303 and demonstrated through comprehensive studies that the stability of drug substance and drug product comply with the requirements of clinical research.

We completed extensive analytical characterization and *in vitro* studies comparing IBI-303 to the reference product Humira.

We have confirmed through Lys-C peptide mapping that the amino acid sequence of IBI-303 is identical to that of the reference product Humira, which is required for the biosimilar pathway under NMPA regulations. The graph below shows the peptide fingerprint of IBI-303 compared with Humira (adalimumab). IBI-303 and adalimumab were fragmented by endoproteinase Lys-C degradation and the peptides were separated by liquid chromatography-mass spectroscopy/mass spectroscopy (LC-MS/MS). This technology creates a peptide fragment-based fingerprint for proteins. If the fingerprints are identical it can be inferred that two proteins have identical amino acid primary structure.

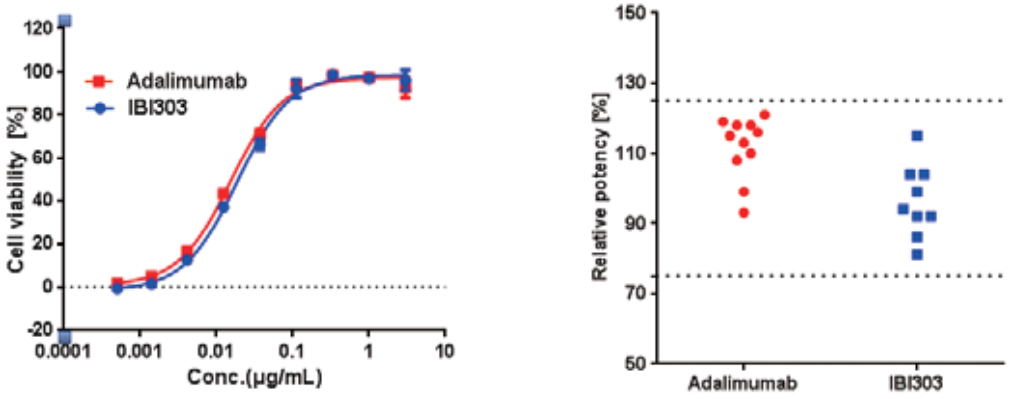
Peptide fingerprint for IBI-303 and Humira are highly similar



Abbreviation: mAU = mAnson Unit (a unit of measurement for enzyme activity)

A cell-based potency assay demonstrated that IBI-303 and Humira have similar *in vitro* potency. As shown in the left hand panel of the following figure, when increasing concentration of IBI-303 and Humira are incubated in the reporter assay, both antibodies neutralize the TNF-α with identical potency, as measured by the viability of a TNF-α dependent cell line. The right hand panel of the following figure demonstrates that multiple lots of IBI-303 and Humira have similar potency.

Cell-based potency Assay shows similarity in ptency between IBI-303 and Humira

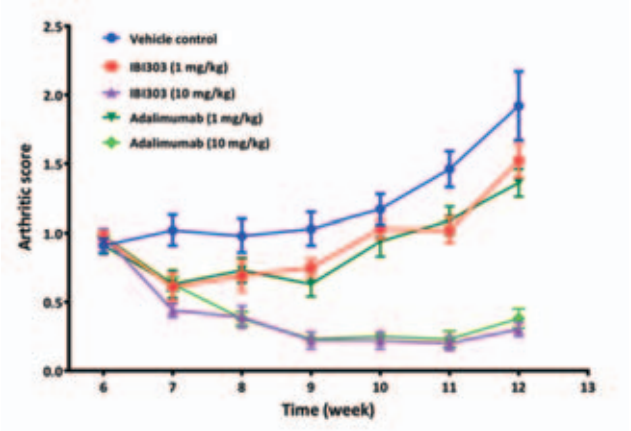


Step 2: Pre-clinical Studies

We have performed comprehensive pre-clinical studies of IBI-303 in mice with rheumatoid arthritis and the results indicate that IBI-303 has an efficacy, toxicity and PK/PD profile which is similar to that of Humira.

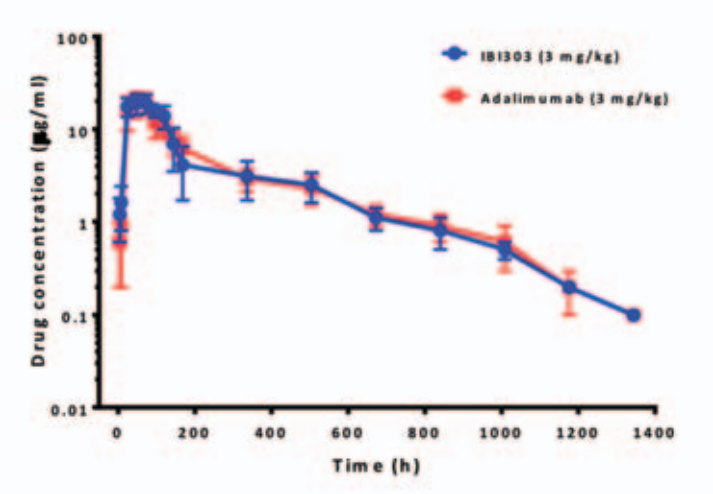
As shown in the following figure, arthritic score curves generated from our studies demonstrated the efficacy similarity between IBI-303 and Humira at two different dose levels.

The efficacy of IBI-303 and adalimumab (Humira) in a human TNF-α dependent mouse model of rheumatoid arthritis is highly similar



We also performed another study in cynomolgus monkeys to characterize and compare the PK profile of IBI-303 against that of Humira. As shown in the figure below, there were no statistical differences in drug concentration between IBI-303 dosed animals and Humira dosed animals at the same time points throughout the study. These results indicate the similarity in the PK profile between IBI-303 and Humira.

IBI-303 and adalimumab (Humira) have highly similar PK profiles after a single dose in cynomolgus monkeys



Step 3: Clinical Pharmacology Study

Our IND application for IBI-303 was approved by the NMPA in December 2015 in accordance with the biosimilar regulatory development pathway based on the demonstrated similarity to the reference product in the CMC and pre-clinical studies. We have substantially completed a randomized double-blind clinical trial in China to assess the bioequivalence, pharmacokinetics, safety and immunogenicity of IBI-303 in comparison with Humira in 183 healthy volunteers. The primary endpoints of the study are C_{max}, $AUC_{0\text{-}inf}$ and $AUC_{0\text{-}t}$.

The study procedures have been completed with all trial subjects as of the Latest Practicable Date. We are in the process of analyzing the trial data and we expect to complete analysis of the trial data in the second half of 2018 and to report the results thereafter at a scientific conference or other appropriate forum.

We have not seen unexpected adverse events with IBI-303 in this study. Safety data from these small and short clinical pharmacology studies aimed at establishing bioequivalence are not useful, representative or material. The useful or material safety data set only comes from the large and lengthy clinical confirmation studies at Step 4.

Step 4: Clinical Confirmation Studies

We are conducting a randomized, double blind, multi-center, Phase 3 clinical trial in China to evaluate the safety, efficacy and immunogenicity of IBI-303 compared to Humira at a dose level of 40 mg SC Q2W in adult patients with active ankylosing spondylitis who have had an inadequate response to or are intolerant to one or more nonsteroidal anti-inflammatory drugs. As of June 7, 2018, we have completed enrollment of 438 patients in this trial, exceeding our planned 400 patients. The primary endpoint of the study is ASAS-20 (Assessments in Ankylosing Spondylitis Assessment of Response 20), which is a standard tool to score for response in ankylosing spondylitis patients.

We had a pre-NDA meeting with the NMPA on September 10, 2018, and based on internal review of the progress of this trial, we expect to complete this trial in the second half of 2018 and, if the data from this trial establishes biosimilarity between IBI-303 and Humira, to submit an NDA to the NMPA in the fourth quarter of 2018.

We have not seen unexpected adverse events with IBI-303 in this trial as of the Latest Practicable Date. The aggregate safety data for this trial cannot be disclosed at the date of this prospectus because the trial is double blind and has not been unblinded yet and the trial data base has only recently been locked. The blinded analysis of the interim trial data shows that the safety profile of IBI-303 is consistent with the reported safety profile for Humira. We expect the safety data to become available for disclosure in the fourth quarter of 2018 and we will promptly disclose such data by way of announcement on the Stock Exchange.

Adverse reactions to the reference drug

According to the prescribing information of Humuira, the most common adverse reaction with Humira was injection site reactions. In placebo-controlled trials, 20% of patients treated with Humira developed injection site reactions (erythema and/or itching, hemorrhage, pain or swelling), compared to 14% of patients receiving placebo. Most injection site reactions were described as mild and generally did not necessitate drug discontinuation.

The proportion of patients who discontinued treatment due to adverse reactions during the double-blind, placebo-controlled portion of studies in patients with rheumatoid arthritis (RA) was 7% for patients taking Humira and 4% for placebo-treated patients. The most common adverse reactions leading to discontinuation of Humira in these RA studies were clinical flare reaction (0.7%), rash (0.3%) and pneumonia (0.3%).

In the controlled portions of the 39 global Humira clinical trials in adult patients with Humira targeted indications, such as RA and ankylosing spondylitis, the rate of serious infections was 4.3 per 100 patient-years in 7,973 Humira-treated patients versus a rate of 2.9 per 100 patient-years in 4,848 control-treated patients. Serious infections observed included pneumonia, septic arthritis, prosthetic and postsurgical infections, erysipelas, cellulitis, diverticulitis, and pyelonephritis.

Licenses, Rights and Obligations

We obtained an exclusive license for IBI-303 cell line from Aragen Bioscience. Other than the obligation to pay a US$30,000 approval milestone, we have no further obligations to Aragen Bioscience. We have the rights to out-license the molecule globally but have not done so as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IBI-303 SUCCESSFULLY.

Our Phase 1 Innovative Drug Candidates

IBI-306

IBI-306 is a fully human monoclonal antibody drug candidate that we are evaluating for the treatment of hyperlipidemia which is characterized by high levels of lipids in the blood, including fatty acids, cholesterol and triglycerides.

Mechanism of Action

IBI-306 binds to a protein called proprotein convertase substilisin/kexin type 9 (PCSK9), preventing its interaction with the low-density lipoprotein cholesterol receptor (LDL-R) and restoring the recycling of LDL-R and the uptake of low-density lipoprotein cholesterol (LDL-C). This mechanism of action positions IBI-306 as a potentially important treatment approach for hyperlipidemia, especially for those with ultrahigh cholesterol.

Market Opportunity and Competition

Nowadays, hypercholesterolemia has become a serious issue in China's society. The patients with hypercholesterolemia increased rapidly in recent years due to unhealthy diet and life style and population ageing. The number of hypercholesterolemia patients in China increased at a CAGR of 4.4% from 66.8 million in 2013 to 79.3 million in 2017, and is expected to further increase to 95.9 million in 2022 and 110.5 million in 2030, according to the Frost & Sullivan Report.

FDA has approved two anti-PCSK9 antibodies, including evolocumab (sold under the trade name Repatha by Amgen) and alirocumab (sold under the trade name Praluent by Sanofi). These drugs have been a significant advance in the treatment of high blood cholesterol and had aggregate worldwide sales of US$490 million in 2017.

Currently Repatha (evolocumab) is the only one marketed PCSK inhibitor in China, which received the approval by the NMPA for the treatment of hypercholesterolemia in August 2018. Besides us, there are three other anti-PCSK9 drug candidates in clinical development in China, including Junshi's JS002, Amgen's Repatha (evolocumab) and Sanofi's Praluent (alirocumab). The table below sets forth the information of the foregoing anti-PCSK9 drug candidates in clinical development in China:

Generic name/ mAb category	Brand name/ Drug Code	Company	Status in China	Date*	Indication
Evolocumab (Fully Human Anti-PCSK-9 mAb)	AMG145	Amgen	Marketed	2018/8/8	Hypercholesterolemia
Alirocumab (Fully Human Anti-PCSK-9 mAb)	SAR236553	Sanofi-aventis	Phase 3 Phase 3	2016/7/6 2016/2/25	Hypercholesterolemia Acute coronary syndrome
Humanized Anti-PCSK-9 mAb	JS002	Shanghai Junshi Biosciences Co., Ltd	Phase 1	2017/11/17	Hypercholesterolemia

Source: Frost & Sullivan

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期).

Current Treatments and Limitations

The approved anti-PCSK9 drugs, alirocumab (sold under the trade name Praluent by Sanofi) and evolocumab (sold under the trade name Repatha by Amgen), have limitations in terms of their binding affinity for PCSK9. The ability of an antibody to produce a beneficial effect in a patient depends on its ability to block the target protein. Blocking the target protein depends on several factors including the binding affinity of the antibody for the target, the distribution of the antibody in the body and the duration that the antibody binds the target. We believe that higher binding affinity of IBI-306 for PCSK9 compared with the binding affinity of evolocumab and alirocumab could provide more durable responses in patients at a lower dose strength, which could allow IBI-306 to provide more clinical benefits at lower dosage levels and also at the same dose level achieve both a convenient (shorter and less frequent) dosing schedule and a lower dosage level for patients. In comparison, alirocumab and evolocumab require monthly injections with 2-3 separate injections each dose and the injecting time varies from 40 seconds to 9 minutes depending on the product.

Potential Advantages

Based on initial pre-clinical data, we believe that IBI-306 has the following potential competitive advantages as compared to approved anti-PCSK9 drugs alirocumab and evolocumab:

Higher affinity for human PCSK9

We conducted *in vitro* studies to compare the equilibrium binding affinity of IBI-306 for human PCSK9 with that of alirocumab and evolocumab and the results showed that of IBI-306 is higher than alirocumab and evolocumab. The table below shows equilibrium binding affinity of PCSK9 antibody fragments. The binding affinity of the Fab fragments of 3 PCSK9 antibodies for human PCSK9 is shown. Human PCSK9 is fixed to a Meso Scale Discovery plate and binding of the various antibodies to the plate is detected by electrochemiluminescence. The dissociation constant, K_d, is a ratio of unbound to bound antibody: PCSK9 complexes measured in molar (M) units. The smaller the number, the tighter the antibody binding affinity. In this study IBI-306 binds to PCSK9 approximately 4 times more tightly than evolocumab and 17 times tighter than alirocumab. We believe that IBI-306's higher binding affinity for its target will lead to more clinical benefit at a lower dosage level and a more convenient dosing schedule for the treatment of hyperlipidemia.

IBI306 has higher binding affinity for human PCSK9

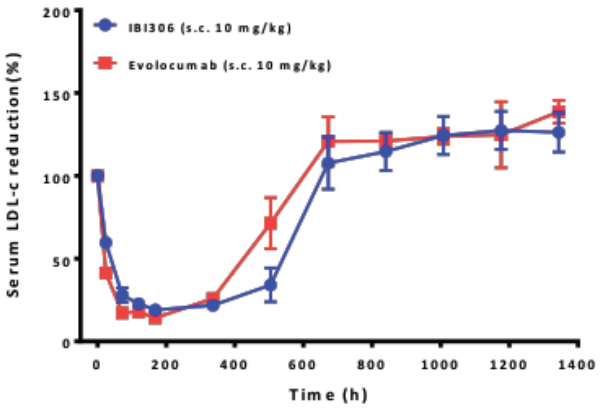
Antibody Name	PCSK9 Fab K_d (10^{-12} M)
IBI306	4.2
Alirocumab	72
Evolocumab	16

Abbreviations: Fab = antigen-binding fragment; K_d = dissociation constant.

Longer duration of LDL-C reduction

The results from a monkey study indicate that IBI-306 reduced LDL-C reduction level and has a longer duration of serum LDL-C reduction (from 24 hours through up to 504 hours after administration) than evolocumab (from 24 hours through up to 336 hours after administration) at the same dose level. The chart below shows LDL-C reduction of IBI-306 compared to evolocumab. Normal monkeys were given a single 10 mg/kg dose of IBI-306 or evolocumab. IBI-306 has a long duration of LDL-C reduction most evident from the 500 hour timepoint. We believe that the longer duration will allow us to achieve a more convenient (less frequent) dosing schedule (longer than 6-week dosing) for the treatment of hyperlipidemia.

IBI306 produces a more durable decrease in LDL-C after a single dose in monkeys than does evolocumab



Abbreviation: LDL-C = low-density lipoprotein cholesterol.

Clinical Development Plan

Our IND application for IBI-306 was approved by the NMPA in September 2017. We are conducting a randomized, double-blind, placebo-controlled, single-center Phase 1 clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of single ascending doses of IBI-306 in healthy adults. The ascending dose design includes six dose level cohorts: 25 mg, 75 mg, 150 mg, 300 mg, 450 mg and 600 mg. Tolerance and safety data for up to 14 days after dosing from all subjects of the previous cohort will be reviewed before proceeding to the next dose. Total duration of the study per subject is 12 weeks. The first subject was enrolled in November 2017. If this trial is successful, we expect to advance IBI-306 to Phase 2 and 3 clinical trials in China in 2019.

Licenses, Rights and Obligations

We have the rights to develop, manufacture and commercialize IBI-306 in China, Hong Kong and Macau. We obtained the original DNA sequence for IBI-306 from Adimab pursuant to our collaboration agreement with Adimab. See "-Collaboration Agreements-Collaboration with Adimab" below for details of our rights and obligations with respect to IBI-306.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IBI-306 SUCCESSFULLY.

IBI-310

IBI-310 is a fully human monoclonal anti-CTLA-4 antibody drug candidate that we are evaluating for treatment of a variety of cancers in China as a monotherapy and potentially in combination with anti-PD-1 monoclonal antibodies, including sintilimab. IBI-310 has the same DNA sequence as ipilimumab (sold under the trade name Yervoy). Ipilimumab has not been approved for marketing in China and we are developing IBI-310 under the novel drug pathway according to the NMPA regulations. We have developed our proprietary cell line for IBI-310.

Mechanism of Action

IBI-310 specifically targets an immune checkpoint called cytotoxic T-lymphocyte-associated protein 4 (CTLA-4), which down-regulates T-cell immune response to cancer cells in a separate pathway from the PD-1/PD-L1 pathway. IBI-310 binds to CTLA-4 to remove the blockade and reactivate the immune response.

Market Opportunity and Competition

Yervoy has been approved as a monotherapy and as part of a combination therapy in melanoma and renal cell carcinoma in the U.S. It is still in clinical development in China.

According to the Frost & Sullivan Report, Yervoy achieved sales of US$1.2 billion worldwide in 2017. CTLA-4 is an important pathway for a number of diseases. BMS is conducting numerous clinical trials of Yervoy in the U.S. both as a monotherapy and in combination with other therapies such as nivolumab.

Melanoma is mainly caused by intense ultraviolet light exposure. It is less prevalent in China than in the North America or Europe. Also according to the Frost & Sullivan Report, from 2013 to 2017, the number of melanoma patients in China increased from 7,500 to 8,500 in China, and is expected to increase to 9,600 in 2022 and 12,100 in 2030. Besides us, there are three other anti-CTLA-4 drug candidates in clinical development in China. The table below sets forth the information of the foregoing anti-CTLA-4 drug candidates in clinical development in China:

Generic name	Drug Code	Company	Status in China	Date*	Indication
Ipilimumab	BMS-734016	BMS	Phase 3	2015/10/23	Advanced Melanoma
			Phase 3	2014/3/13	SCLC
			Phase 1	2015/10/21	Advanced R/R Nasopharyngeal Carcinoma, Melanoma, NSCLC
			Phase 1, 3	2018/3/20	Combination therapy with Nivolumab for localized renal cell carcinoma etc.
Tremelimumab	–	AstraZeneca	Phase 3	2018/4/27	Stage IV NSCLC
			Phase 3	2018/5/8	Stage IV SCLC
			Phase 1	2017/6/8	Unresectable hepatocellular carcinoma
			Phase 3	2017/1/22	Advanced or metastatic NSCLC
			Phase 1, 2, 3	2017/2/21	Combination therapy with Durvalumab for advanced urothelial carcinoma etc.
Belatacept	KN019	Alphamab Co. Ltd	Phase 1	2018/1/8	Rheumatoid Arthritis

Source: Frost & Sullivan

* refers to the date when the information about clinical trials is published for the first time.

Clinical Development Plan

Our IND application for IBI-310 was approved by the NMPA in February 2018. We are conducting a single-center, open-label, Phase 1 study in China to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of IBI-310 as a monotherapy and in combination with sintilimab in patients with advanced solid tumors.

Licenses, Rights and Obligations

We own all rights to IBI-310 and have not out-licensed it to any third party as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IBI-310 SUCCESSFULLY.

Our IND-Stage Candidates

We have four IND-stage drug candidates as of the Latest Practicable Date:

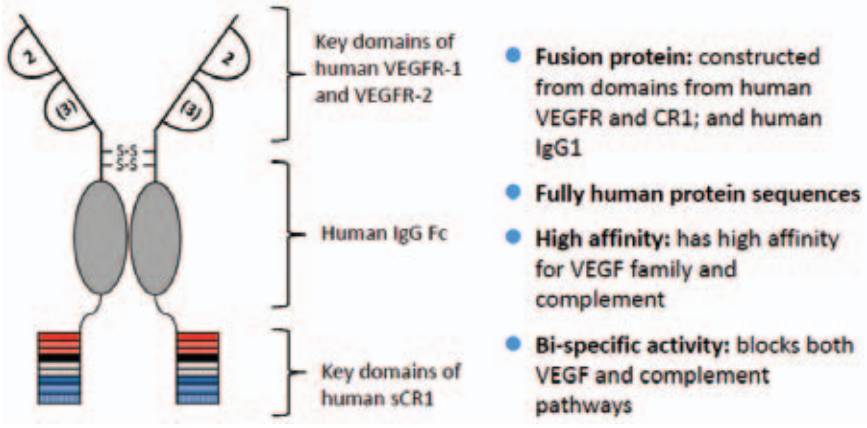
IBI-302

IBI-302 is a fully human bi-specific antibody-like drug candidate we are developing to treat ocular diseases including a type of age-related macular degeneration (AMD) called wet AMD.

Mechanism of Action

IBI-302 is a bi-specific fusion protein designed with both a VEGF binding domain from VEGFR-1 and VEGFR-2 and a complement binding domain called sCR1 (soluble complement receptor type 1), and the two binding domains are connected by the Fc region of human immunoglobulin, as shown in the diagram below. IBI-302 binds to and inhibits the action of both VEGF and complement proteins, which activates the complement cascade that is part of the immune inflammatory process. Uncontrolled activation of complement and upregulation of VEGF play fundamental roles in AMD. The root cause of wet AMD is believed to be complement proteins as opposed to VEGF.

The Structure and Characteristics of IBI-302



Market Opportunity and Competition

AMD is a medical condition characterized by proliferation of abnormal blood vessels in the retina. Wet AMD, the "wet" form of advanced AMD, is a leading cause of severe vision loss and blindness in people over the age of 50 in the developed world. If untreated, the blood vessel growth and leakage associated with wet AMD can eventually lead to blindness. The majority of patients with wet AMD experience severe vision loss in the affected eye within

approximately two years after diagnosis of the disease. According to a study published in 2004 in the journal *Ophthalmology*, approximately 1.2 million people in the United States suffer from wet AMD. Based on estimates from AMD Alliance International, a non-profit organization focused on AMD awareness, and census growth data, we estimate there are approximately 293,000 new cases of wet AMD each year in the United States. Because the risk of developing wet AMD increases with age, we expect that the overall aging of the population will result in a significant increase in the number of wet AMD cases, both in the United States and worldwide. According to the Frost & Sullivan Report, the prevalence of wet AMD in China was 3.4 million in 2017 and is expected to reach 4.0 million in 2022 and 4.8 million in 2030. We believe that there is a significant commercial demand for the treatment of wet AMD.

Ranibizumab (sold under the trade name of Lucentis by Norvartis), conbercept (sold under the trade name of Langmu by Chengdu Kanghong) and aflibercept (sold under the trade name of Eylea by Bayer) have been approved in China for the treatment of wet AMD, and ranibizumab and conbercept have been included in the National Reimbursement Drug List.

The current biological treatment for wet AMD include ranibizumab, aflibercept and conbercept. According to the Frost & Sullivan Report, conbercept achieved sales of RMB617 million in China in 2017. Besides us, there are four other biologic candidates treating wet AMD in clinical development in China. The table below sets forth the information of the foregoing biologic candidates treating wet AMD in clinical development in China:

Generic name/ mAb category	Brand name/ Drug Code	Company	Status in China	Date*	Indication
Ranibizumab	Lucentis	Norvartis	Marketed	2011/12/31	wet AMD
Aflibercept	Eylea	Bayer	Marketed	2018/2/2	wet AMD
Conbercept	Langmu	Chengdu Kanghong Biotechnologies Co. Ltd	Marketed	2013/11/27	wet AMD, choroid neovascularization
VEGFR-Fc Protein	HB002.1M	Huabo Biopharm Co., Ltd.	Phase 1	2018/1/2	wet AMD
Humanized Anti-VEGF mAb	QL1205	Qilu Pharmaceutical Co., Ltd.	Phase 1	2018/2/5	wet AMD
Humanized Anti-VEGF mAb	JY028	Beijing Eastern Biotech, Co., Ltd.	Phase 1	2018/7/2	wet AMD
Humanized Anti-VEGF mAb	TK001	Jiangsu T-mab BioPharma Co., Ltd	Phase 1	2017/6/16	wet AMD

Source: Frost & Sullivan

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期).

Current Treatments and Limitations

The current standard of care for the treatment of wet AMD is administration by intravitreal injection of anti-VEGF drugs as a standalone therapy. The anti-VEGF drugs approved for the treatment of wet AMD in China include Lucentis, Langmu and Eylea. In addition, Lucentis and Eylea were approved for the treatment of wet AMD in U.S., while Avastin is also used off-label for this disease.

According to the American Academy of Ophthalmology, the use of anti-VEGF agents will likely reduce the odds of blindness from wet AMD and could theoretically reduce the rate of blindness by up to 70% over two years. However, longer-term follow-up studies from the population originally treated with regular anti-VEGF agents suggest that these gains in visual acuity are largely lost in two-thirds of patients followed for over seven years.

Advantages

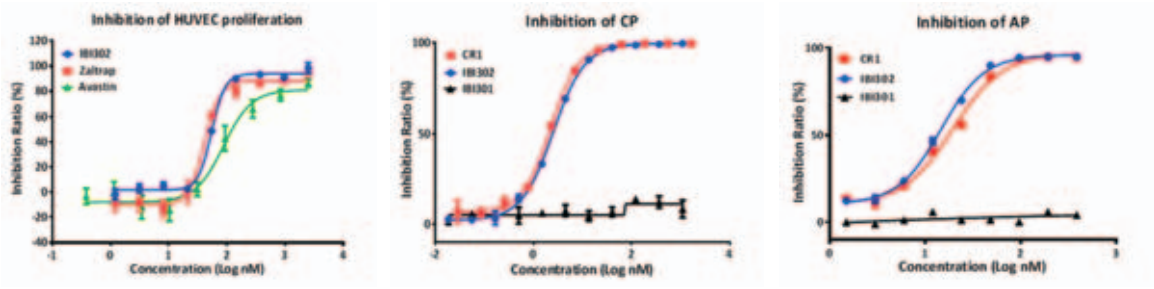
We believe that IBI-302 has the following potential competitive advantages:

Inhibition of two pathways leading to wet AMD

All currently approved anti-VEGF antibody drugs are mono-specific antibodies and they may only be able to relieve the symptoms of wet AMD but may not tackle the root cause of the disease. In comparison, IBI-302 targets both VEGF and complement proteins and, therefore, is potentially capable of curing the disease in addition to relieving the symptoms. In addition, we believe that IBI-302 also has the potential for meeting the unmet medical needs for the treatment of certain other ocular disease indications such as dry AMD, for which the root cause is also believed to be complement proteins. Furthermore, we believe that IBI-302's bi-specificity allows it to achieve comparable clinical results with a single treatment that would otherwise require two separate treatments (two vitreal injections) with combination therapies that block the same two targets.

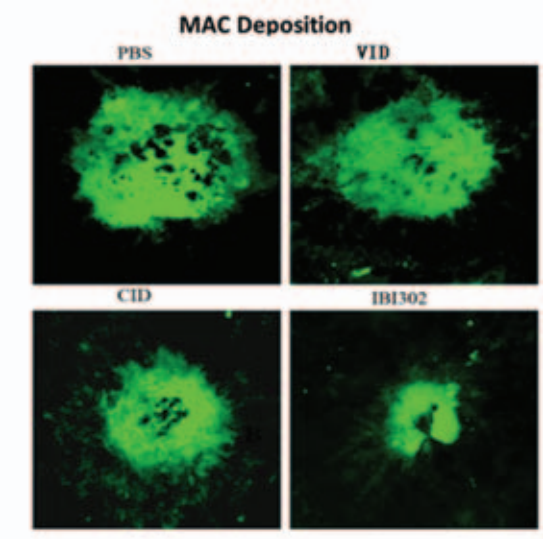
We completed *in vitro* studies comparing the cell-based bioactivity of IBI-302 to that of anti-VEGF blockers aflibercept (Zaltrap) and bevacizumab (Avastin) and to complement receptor 1 (CR1). The results of these studies are shown in the following figure. These studies demonstrate two aspects of cell based bioactivity of IBI-302. In the left panel of the following figure, the ability of IBI-302 to inhibit the VEGF induced proliferation of human umbilical vein endothelial cells is shown. The antiproliferative effect induced by VEGF binding is similar to that of Zaltrap, a VEGF receptor trap, and is greater than that of Avastin (a VEGF antibody). In the middle and right panels of the following figure, the ability of IBI-302 to block both the classical and the alternative complement pathway is shown. The potency of IBI-302 in blocking complement cascade induced destruction of red blood cells is as potent as that of native complement receptor 1 (CR1). IBI-301 (anti-CD20 antibody) is used as a negative control in these studies demonstrating that an unrelated immunoglobin does not block red cell destruction.

Cell based activity of IBI-302 compared with standards



We also assessed IBI-302 in a Mouse Choroidal Neovascularization model (the Mouse CNV model). Choroidal neovascularization (CNV) is a non-specific response to specific damage of Bruch's membrane (the middle layer of the retina) and is the pathobiology behind wet and dry AMD. The results of the study indicated that IBI-302 was more potent than each of VEGF Inhibitory Domain (VID) and Complement Inhibitory Domain (CID) alone in blocking murine CNV and in reducing both the concentration of VEGF and the concentration of complement proteins. These results indicate an additive effect for VID and CID and demonstrate that IBI-302 is capable of blocking both the complement and the angiogenesis (the growth of blood vessels) pathways in the eye.

In the following figure, the green fluorescent circular lesions represent the MACs (membrane attack complexes) that form in the retina of mice as a result of laser-induced activation of the complement system, and treatment with IBI-302 decreased the dimensions of the MAC more significantly, indicating stronger efficacy, as compared to treatment with either VID or CID alone or to treatment with PBS (phosphate buffer saline) which is used as a control.

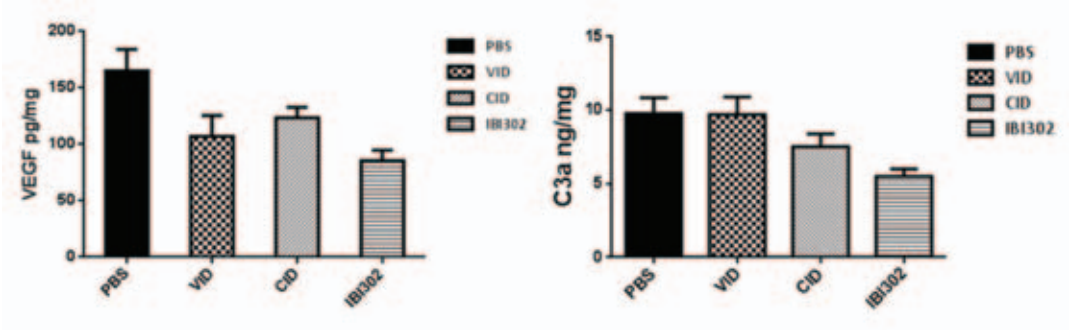


Abbreviations: MAC = membrane attack complex; PBS = phosphate buffer saline; VID = VEGF inhibitory domain; CID = complement inhibitory domain.

The following figure shows that, in the same study using the Mouse CNV model, IBI-302 reduces both the concentration of VEGF and the concentration of C3a (a part of the complement protein system known as complement component 3) to a greater extent than each of PBS, VID and CID does.

IBI-302 results in greater reduction of the intraocular concentration of VEGF and complement proteins

Reduction of VEGF concentration **Reduction of C3a concentration**

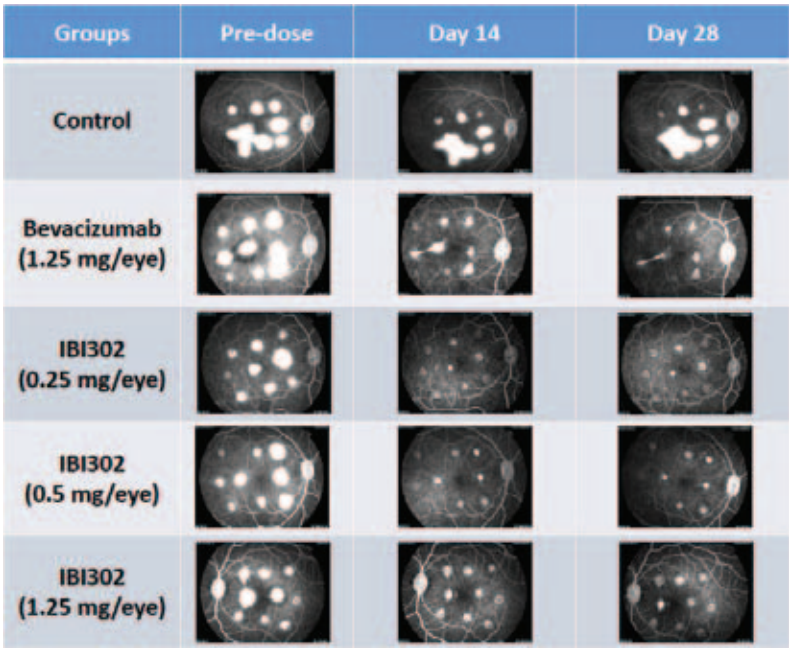


Abbreviations: PBS = phosphate buffer saline; VID = VEGF inhibitory domain; CID = complement inhibitory domain; C3a = a complement peptide formed by the cleavage of complement component 3.

Better efficacy at lower dose level than bevacizumab

We assessed the efficacy of IBI-302 in the Rhesus Monkey Choroidal Neovascularization (CNV) model. Based on the study as shown in the figure below, IBI-302 at a 0.25 mg/eye dose level shows better efficacy than bevacizumab at a 1.25 mg/eye dose level. In this study, the retina of a monkey is damaged with a laser. The retina responds by activation of the complement cascade and the proliferation of endothelial cells, which induces inflammation, angiogenesis and proteolysis. These reactions create the white circular lesions in the retinal photos above. Treatment of the monkey by intraocular injection of IBI-302 or bevacizumab (a VEGF antibody) decreases CNV and IBI-302 is more potent in blocking laser induced CNV than bevacizumab.

Efficacy of IBI-302 in Rhesus Monkey CNV Model



Clinical Development Plan

Our IND application for IBI-302 was approved by the NMPA in December 2016. We plan to conduct a multi-center Phase 1 clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of IBI-302 in wet AMD patients. We expect to start and complete this trial in 2019.

Licenses, Rights and Obligations

We have the right to develop, manufacture and commercialize IBI-302 worldwide. We licensed IBI-302 cell line from AP Biosciences, Inc. (formerly known as ProtevoBio Inc.) pursuant to an exclusive license agreement with AP Biosciences, Inc. as described under "– Collaboration Agreements – Exclusive License from Protevo" below.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IBI-302 SUCCESSFULLY.

IBI-307

IBI-307 is a fully human monoclonal antibody drug candidate that we are developing for the treatment of osteoporosis and lytic bone lesions associated with cancer metastasis. It binds to RANKL (RANK ligand), a hormone that controls the activation and survival of osteoclasts, the cells that remodel bone. By blocking the activity of RANKL, bone resorption is inhibited resulting in stronger and denser bones. According to the Frost & Sullivan Report, approved RANKL inhibitors include denosumab of Amgen (sold under the trade names Prolia and XGEVA), which had worldwide sales of US$3.5 billion in 2017; in contrast, there are currently no RANKL inhibitors approved for marketing in China. We filed an IND application for IBI-307 with the NMPA in November 2017, which was approved on June 15, 2018.

IBI-101

IBI-101 is a fully human monoclonal antibody drug candidate that we are developing to treat cancers and hepatitis B. IBI-101 binds to and stimulates OX40, which should increase the survival and activation of tumor specific T cells. There is currently no OX40 agonist approved globally. We filed an IND application for IBI-101 with the NMPA in January 2018, which was approved on June 15, 2018. We also plan to file an IND application for IBI-101 with the FDA in 2018.

IBI-188

IBI-188 is a fully human monoclonal antibody drug candidate that we are developing for the treatment of cancers. IBI-188 binds to CD47, a surface protein that provides a "do not eat me" signal to macrophages. Cancer cells frequently express CD47 and by doing so evade destruction by macrophage. Our pre-clinical data show that IBI-188 is efficacious for inhibiting tumor growth. We filed an IND application for IBI-188 with the NMPA in June 2018, which was approved on August 22, 2018. We have also begun the process of seeking FDA marketing authorization for IBI-188, our CD47 antibody. The FDA approved our IND application for IBI-188 in September 2018. We plan to initiate a Phase 1a clinical trial (dose escalation) in the U.S. in approximately 17 to 42 patients with cancer. According to Frost & Sullivan, there are no currently approved anti-CD47 therapies, although many companies are currently developing candidates that target CD47 in pre-clinical studies and clinical trials. For example, California-based Forty Seven, Inc. is evaluating its anti-CD47 antibody drug candidate in five ongoing monotherapy Phase 1 and combination therapy Phase 1b/2 trials, in patients with solid tumors, leukemia or lymphoma.

Our Pre-clinical Candidates

In addition to our clinical-stage drug candidates, we are also developing seven pre-clinical-stage drug candidates. Each of these candidates has been approved by our science committee, which reviews all proposals for research programs before they enter discovery and development. Our drug discovery platform has allowed us to maintain and expand a strong pre-clinical-stage drug pipeline in potentially important areas, such as oncology, ophthalmology, cardiovascular and autoimmune diseases. We believe we have the opportunity to combine our sintilimab (IBI-308) with other clinical-stage and pre-clinical candidates in our pipeline to target multiple immuno-oncology checkpoints.

We have seven innovative pre-clinical drug candidates as of the Latest Practicable Date. These include two mono-specific antibody drug candidates with which no competing antibody against the same targets has obtained marketing approval anywhere in the world and also include five bi-specific antibody drug candidates. We anticipate advancing three of our pre-clinical candidates into the clinical stage in the next 12 months.

Mono-specific Antibodies

IBI-110

IBI-110 is a fully human monoclonal antibody drug candidate that we are developing for the treatment of cancers. IBI-110 binds to LAG-3, an immune checkpoint expressed on the surface of T cells, NK cells, B cells and plasmacytoid dendritic cells. LAG-3 binds to a major histocompatibility complex class II (MHC class II) antigen and negatively regulates the proliferation, activation and homeostasis of T-cells. LAG-3 is believed to drive cytotoxic T-cell tolerance and immune exhaustion. Blocking LAG-3 binding to the MHC class II antigen with IBI-110 should restore activities of tumor infiltrating T cells, reverse T-cell exhaustion and drive T-cell activation. Our pre-clinical animal study data show that IBI-110 has good *in vivo* anti-tumor efficacy when combined with an anti-PD-1 antibody.

IBI-939

IBI-939 is a fully human monoclonal antibody drug candidate that we are developing for the treatment of cancers. IBI-939 binds to TIGIT. TIGIT is a receptor expressed on the surface of T cells and NK cells that can inhibit of immune function after binding to CD155 expressed on cancer cells or dendritic cells. IBI-939 binds to TIGIT and blocks its interaction with CD155, thereby increasing immune activation.

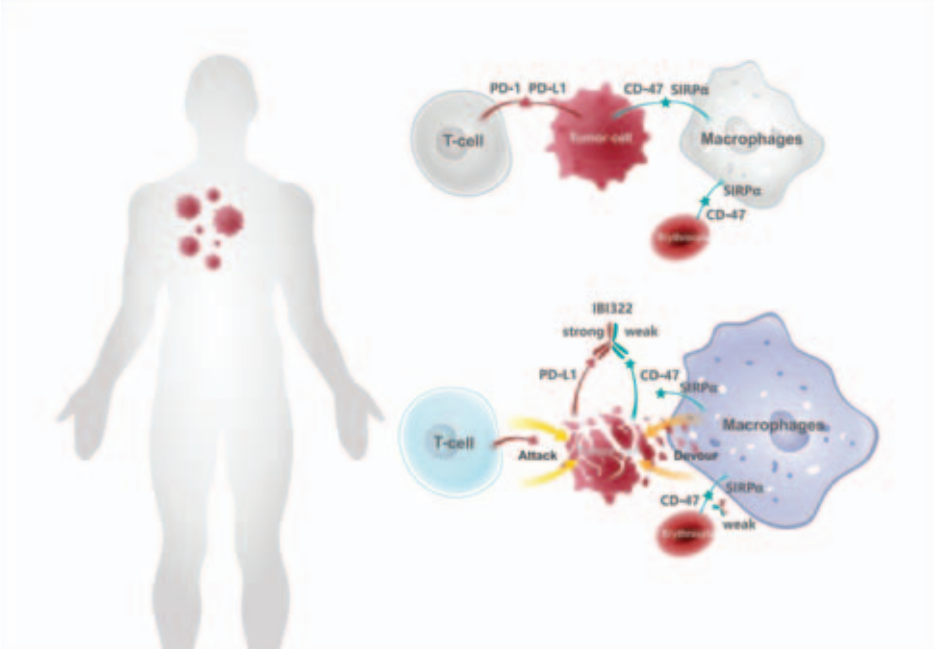
Bi-specific Antibodies

IBI-322

IBI-322 is an anti-CD47/PD-L1 bi-specific antibody that we are developing for the treatment of cancers. IBI-322 simultaneously inhibits both CD47 binding to SIRPα and PD-L1 binding to PD-1. Our pre-clinical studies demonstrate that IBI-322 is effective in inducing

phagocytosis of tumor cells and stimulating T cells activation. Anti-CD47 antibodies tend to attack normal cells. However, IBI-322 molecules preferentially distribute to PD-L1 positive tumor cells and thereby reduce this potential on-target side effect associated with mono-specific anti-CD47 antibodies. Our pre-clinical data show that IBI-322 has promising *in vivo* efficacy, tumor-enriched distribution and better safety than a mono-specific anti-CD47 antibody.

The diagram below shows that IBI-322, a bi-specific antibody that contains a binding site for CD47 and a different binding site for PD-L1, has a dual mechanism of action-stimulation of macrophages and blockade of the PD-1 T-cell checkpoint. Macrophages are phagocytes (cells that "eat other cells and pathogens"). CD47 is a protein on the surface of many normal cells that signals to the macrophage: "Don't eat me". The signaling protein on the surface of the macrophage that interacts with CD47 is SIRPα. Tumors often express high levels of CD47 to inhibit macrophage phagocytosis. Also, tumors frequently express high levels of PD-L1, a protein that binds to the checkpoint receptor, PD-1, on surface of T-cell. This binding turns off the ability of a T-cell to kill PD-L1 expressing tumor cells. As is seen in the top panel of the following diagram, tumor cells that express both PD-L1 and CD47 are able to block two different pathways that would normally kill tumor cells. Normal erythrocytes also express CD47 so that high potency binding of an anti-CD47 antibody will cause the macrophage to ingest erythrocytes. The erythrocyte phagocytosis causes significant anemia. IBI-322 has a finely tuned affinity for CD47 and also has the PD-L1 binding component to only target tumor cells that express both PD-L1 and CD47. The bi-specific nature of IBI-322 and the careful tuning of the affinity allow the antibody to spare the erythrocytes which do not express PD-L1.



Based on Yoji Murata, Takenori Kotani, Hiroshi Ohnishi and Takashi Matozaki. "The CD47-SIRPα signalling system: its physiological roles and therapeutic application." J. Biochem. 2014 Jun; 155(6):335-344. Published online 2014 Mar 12. doi:10.1093/jb/mvu017; Francisco, Loise M., Peter T. Sage and Arlene H. Sharpe. "The PD-1 Pathway in Tolerance and Autoimmunity." Immunological Reviews 236 (2010): 219-242. PMC. Web. 1 Aug. 2018.

IBI-318

IBI-318 is a bi-specific antibody incorporating sintilimab anti-PD-1-binding backbone that we are developing in collaboration with Eli Lilly for the treatment of cancers. It simultaneously binds to both PD-1 and an undisclosed target.

IBI-319

IBI-319 is a bi-specific antibody incorporating sintilimab anti-PD-1-binding backbone that we are developing in collaboration with Eli Lilly for the treatment of cancers. It simultaneously binds to both PD-1 and an undisclosed target.

IBI-315

IBI-315 is a bi-specific antibody incorporating sintilimab anti-PD-1-binding backbone that we are developing in collaboration with Hanmi for the treatment of cancers. It simultaneously binds to both HER2 and PD-1.

IBI-323

IBI-323 is an anti-LAG-3/PD-L1 bi-specific antibody that we are developing for the treatment of cancers. IBI-323 simultaneously inhibits LAG-3 binding to MHC Class II and PD-L1 binding to PD-1. IBI-323 also has the potential to further enhance the specific killing activity of T cells by tethering LAG-3 positive T cells with PD-L1 positive tumor cells. Our pre-clinical data show that IBI-323's *in vitro* efficacy and *in vivo* efficacy are both better than a combination therapy of an anti-LAG-3 mono-specific antibody and an anti-PD-L1 mono-specific antibody.

The table below sets forth a comparison of our PD-L1 drug candidates and their competitors drug candidates in China which are approved or in Phase 3 or more advanced clinical trial stage:

Generic (Brand) Name/ Drug Code	Company	Filing Status in China	Date*	Mechanism of Action	Lead/Proposed Indication	Retail Price (RMB)	NRDL/PRDL
IBI-322	Innovent	pre-clinical	N.A.	Anti-PD-L1/ CD47	PDL1/CD47 coexpressing tumors, M1 macrophage signature tumors	N.A.	N.A.
IBI-323	Innovent	pre-clinical	N.A.	Anti-LAG-3/ PD-L1	PDL1+ tumors with "hot tumor" phenotype	N.A.	N.A.
Atezolizumab	Roche	Phase 3	2018/7/2	Anti-PD-L1	Advanced or metastatic NSCLC Renal cell carcinoma NSCLC Advanced or metastatic urethral carcinoma Muscular-invasion urethral carcinoma	N.A.	N.A.

Generic (Brand) Name/ Drug Code	Company	Filing Status in China	Date*	Mechanism of Action	Lead/Proposed Indication	Retail Price (RMB)	NRDL/PRDL
Durvalumab	Astrazeneca	Phase 3	2017/1/19	Anti-PD-L1	NSCLC	N.A.	N.A.
KN035	Alphamab	Phase 3	2018/4/9	Anti-PD-L1	MSI-H/dMMR CRC Gastric carcinoma Cholangiocarcinoma	N.A.	N.A.
Avelumab	Merck KGaA/ Pfizer	Phase 3	2018/6/25	Anti-PD-L1	HNSCC	N.A.	N.A.

Source: Frost & Sullivan

Notes:

Abbreviation: NRDL = national reimbursement drug list of China; PRDL = provincial reimbursement drug list;

"No" means that the drug is not list in the NRDL or the PRDL even though it is marketed.

"N.A." means, with respect to date, not applicable because the drug candidate is still in pre-clinical stage; with respect to retail price, not available, and with respect to NRDL/PRDL, not applicable because the drug candidate is not marketed yet.

* for a marketed product, it refers to the NMPA approval date; for a clinical stage product, it refers to the date when the information about clinical trials is published for the first time (首次公示日期); for a product with NDA submitted and the NDA result pending, it refers to the date of NDA submission.

COLLABORATION AGREEMENTS

Collaboration with Eli Lilly

Beginning in March 2015, we have entered into several agreements with Eli Lilly concerning the development and commercialization of various products. Each of the collaborations that we are currently participating in with Eli Lilly are described as follows:

Exclusive License and Collaboration Agreement for China and Co-Development Agreement for IBI-301 and PD-1 (collectively, the "Lilly China Agreement")

The Lilly China Agreement, which was entered into in March 2015, governs the development and commercialization activities concerning (1) IBI-301, our Rituxan biosimilar, and (2) sintilimab (IBI-308), our PD-1 monoclonal antibody (collectively, the "China Products") in the People's Republic of China, including Hong Kong and Macau, but excluding Taiwan (solely for purposes of this "Collaboration Agreements – Collaboration with Eli Lilly", "China").

Under the Lilly China Agreement, we must use commercially reasonable efforts to develop each of the China Products for certain indications until each of them has achieved regulatory approval or we determine in good faith that regulatory approval for each of them cannot be achieved in a commercially reasonable fashion. We are responsible for developing unique cell lines to express and manufacture each of the China Products and Eli Lilly is responsible for assisting us in those efforts. As part of this effort, we are responsible for the costs of developing the cell lines. These costs include the costs of assistance provided by Eli Lilly at our request, whereby we will pay Eli Lilly for the time Eli Lilly's employees spend on these activities, subject to certain caps. With respect to the development of IBI-301, we are responsible for the development costs associated with developing the IBI-301 in China. With respect to the development of sintilimab, we are responsible for the costs leading up to the filing of the IND in China. Thereafter, we share such development costs for sintilimab with Eli Lilly equally and sintilimab is the only drug candidate among the China Products to which such cost sharing arrangement applies for agreed-upon clinical indications under development. In practice, a joint steering committee established by the parties approves the budget of development costs for sintilimab once a year and reviews such budget every quarter. The shared development costs are subject to the approved budget and generally include direct costs such as raw materials and third-party contractor costs and indirect costs such as staff costs, depreciation and amortization, power and utility cost and shared supporting expenses for research and development. The Company settles Eli Lilly's payment of half of the shared development costs for sintilimab periodically.

We are responsible for all regulatory activities performed under the Lilly China Agreement, including the strategy for filings and label content, leading up to the receipt of regulatory approvals for the China Products in China. Eli Lilly must cooperate with our regulatory efforts.

We and Eli Lilly will co-promote IBI-301 and sintilimab (IBI-308) in China in accordance with the agreement terms. We will share the difference between net sales and expenses (profits if such difference is positive and losses if such difference is negative) pertaining to commercialization of IBI-301 and sintilimab (IBI-308) equally. Under the agreement, expenses mean the commercialization costs and manufacturing costs incurred by either party or its affiliates for the relevant product, whereas net sales means the gross amount invoiced by Eli Lilly or any of its sublicensees to unrelated third parties (excluding any non-end user sublicensee) for sales of the relevant product in China, less certain deductions to the extent included in the gross invoiced sales price for the product or otherwise directly paid or incurred by Eli Lilly or any of its sublicensees with respect to the sales of the product in China. Net sales will be determined from Eli Lilly's (including its affiliates and sublicensees) books and records maintained in accordance with GAAP or similar accounting principles. Eli Lilly will determine net sales by using its then current standard procedures and methodology.

We are responsible, in consultation with Eli Lilly for manufacturing and supplying the China Products to Eli Lilly under the Lilly China Agreement. This responsibility includes the payment of any capital costs necessary for such manufacture. The supply agreement, including the applicable supply prices to be paid to us by Eli Lilly, must be negotiated at least 18 months before the anticipated regulatory approval for a China Product in China. We and Eli Lilly are in the process of negotiating such supply agreement.

Pursuant to this agreement, Eli Lilly provided us with a non-refundable upfront payment of US$36,000,000 on June 26, 2015 in consideration for its rights and obligations under the agreement and separate from the sharing of development costs for sintilimab as described above. Of this upfront payment amount, US$5,000,000 was paid to Adimab by Eli Lilly as required by our collaboration with Adimab, which is described below in "– Collaboration Agreement with Adimab". We will also be entitled to milestone payments totaling up to US$75,000,000 should sintilimab (IBI-308) achieve certain net sales milestones, in addition to the sharing of profits and losses from the commercialization of IBI-301 and sintilimab as described above.

Under the Lilly China Agreement, we and Eli Lilly established a joint steering committee with equal representation from each party to coordinate and oversee development and commercialization activities and decisions for the China Products, including periodic review and approval of the budget of development costs for sintilimab that are subject to equal sharing between us and Eli Lilly. In the event that the joint steering committee cannot agree on a decision, however, we have final decision-making authority concerning the development of the China Products. Neither party has unilateral final-decision making authority concerning either decisions to downsize the development plan for either China Product, or decisions to increase the development activities for sintilimab (IBI-308). Eli Lilly has final decision-making authority on commercialization decisions following regulatory approval of the China Products. Eli Lilly must use commercially reasonable efforts when exercising such decision-making authority. If Eli Lilly elects not to proceed with commercializing either China Product following regulatory approval, such commercialization rights will revert to us and we do not expect that it would result in any material negative impact on our business.

For risks relating to our collaboration with third parties, see the section headed "Risk Factors – Risks Relating to Our Reliance on Third Parties."

In the development and commercialization of the China Products, both we and Eli Lilly maintain ownership of our respective background intellectual property rights. We will own all intellectual property generated in connection with the development of (i) the China Products and (ii) the unique cell lines for the China Products. We granted Eli Lilly an exclusive license (with the right to sublicense) under certain of our patents, know-how and regulatory approvals to commercialize the China Products in China. We control prosecution and enforcement of the patents developed under the Lilly China Agreement related to IBI-301 and sintilimab. We retain the right to develop, manufacture and to co-promote the China Products. We also provided Eli Lilly a non-exclusive license to certain of our trademarks in connection with Eli Lilly's commercialization of the China Products in China. We similarly received a non-exclusive license to Eli Lilly trademarks with the right to sublicense in connection with our possible commercialization of the China Products.

The initial term of the Lilly China Agreement continues on a product-by-product and region-by-region basis until fifteen years after the first commercial sale in a region of a China Product and the Lilly China Agreement automatically renews thereafter for one-year periods unless Eli Lilly provides written notice of its intent not to further commercialize such China

Product in China at least 180 days prior to the conclusion of the initial term or the then-current renewal term. In addition to certain customary termination rights such as the right to terminate for an uncured material breach by the other party or the other party's insolvency, Eli Lilly has the right to terminate the Lilly China Agreement in its sole discretion by providing 180 days' advance written notice.

With certain limited exceptions, during the initial term of the Lilly China Agreement, neither party may commercialize any monoclonal antibody or fragment of such antibody that targets the same antigens as the China Products in China. We granted Eli Lilly a right of first refusal to exclusively commercialize IBI-301 outside of China in jurisdictions in which IBI-301's any future regulatory approval and related filings are not adequate to support a filing for regulatory approval in any such jurisdiction without significant additional clinical development. If we receive an offer from a third party in connection with the foregoing, we must notify Eli Lilly in writing of such offer and Eli Lilly will have 45 days from receipt of such notice to exercise its right of first refusal. We also granted Eli Lilly a right of first negotiation in connection with the foregoing, which Eli Lilly can exercise within 45 days of receiving written notice from us of our intent to enter into a term sheet or commence negotiations with a third party.

Addendum to the Exclusive License and Collaboration Agreement for China

In October 2015, we and Eli Lilly entered into an addendum to the Lilly China Agreement (the "Lilly China Addendum") whereby the parties agreed to pursue the development of three additional drug candidates consisting of bi-specific PD-1 monoclonal antibodies (the "Bi-Specific PD-1 Products") which include IBI-318 and IBI-319.

Under the Lilly China Addendum, we and Eli Lilly must collaborate on the development of Bi-Specific PD-1 Products. Eli Lilly is responsible for developing the pre-clinical data package concerning various potential Bi-Specific PD-1 Products, and grants us the right to develop Eli Lilly's preferred candidates in China, which include IBI-318 and IBI-319. If we decide to develop an Eli Lilly's preferred Bi-Specific PD-1 Product candidate, Eli Lilly grants to us an exclusive license (with the right to sublicense under certain conditions) under certain Eli Lilly patents and know-how and Eli Lilly's rights in certain patents and inventions jointly owned by us and Eli Lilly related to the Bi-Specific PD-1 Product to develop, manufacture, and commercialize the preferred Bi-Specific PD-1 Product for any use in China. After Phase 1 clinical trials for the preferred Bi-Specific PD-1 Product are completed in China, we must provide all Phase 1 final data for Eli Lilly's evaluation and review, and Eli Lilly will have the right to opt in to the development and commercialization of the preferred Bi-Specific PD-1 Product in China. Unless Eli Lilly exercises such right, we will be responsible for all costs and all decisions regarding such product's development, manufacture and commercialization. In addition, we granted Eli Lilly a right of first negotiation to commercialize a Bi-Specific PD-1 Product in China if we seek a third party partner for such commercialization.

If we decide to develop and commercialize an Eli Lilly's preferred Bi-Specific PD-1 Product candidate, we would owe milestone payments to Eli Lilly totaling up to US$37,000,000, and would owe Eli Lilly royalties of a low-to-mid-single digit percentage of

net sales. We will also be solely responsible for certain royalty payments owed to Adimab for net sales of such preferred Bi-Specific PD-1 Product, as described in "– Collaboration with Adimab".

If we decide not to develop an Eli Lilly's preferred candidate in China, Eli Lilly may develop that preferred Bi-Specific PD-1 Product. In such an event, we will grant to Eli Lilly an exclusive license under certain of our patents, know-how and jointly owned patents and inventions related to such preferred Bi-Specific PD-1 Product to develop and commercialize such product for any use in China. Eli Lilly will owe us development milestones totaling up to US$21,000,000, and royalties of net sales. Eli Lilly would be responsible for the aforementioned royalty payments to Adimab in this scenario.

If we opt to develop an Eli Lilly's preferred Bi-Specific PD-1 Product candidate in China, and Eli Lilly opts in to our development and commercialization efforts, then each party will grant the other rights in their patents, know-how, joint patents, and joint inventions related to such preferred Bi-Specific PD-1 Product to develop, manufacture, and commercialize such product in China. The parties would then equally share development costs and revenue. If Eli Lilly opts in, it can either pay us (i) a US$25,000,000 upfront fee for each Bi-Specific PD-1 Product or (ii) a US$15,000,000 upfront fee for each Bi-Specific PD-1 Product and up to US$47,500,000 in milestone payments.

Both parties have agreed that neither party will develop in China a PD-1 bi-specific antibody that targets the same receptor pairs as the Bi-Specific PD-1 Products for a period of time so long as either the Lilly China Agreement and Lilly China Addendum are in effect in relation to a Bi-Specific PD-1 Product in China or we have not elected to exercise our development rights with respect to Eli Lilly's preferred candidate in China.

Exclusive License for PD-1 Outside China and License Agreement for PD-1 Outside China (collectively, the "Lilly Ex-China Agreement")

The Lilly Ex-China Agreement, which was entered into in March 2015, governs the development of cell lines for sintilimab and for Eli Lilly to develop cell lines for bi-specific PD-1 products ("Ex-China Bi-Specific PD-1 Products") (collectively, the "Ex-China PD-1 Products") throughout the world other than in China. This agreement was amended in July 2015, October 2015, December 2017, and most recently in June 2018.

Under the Lilly Ex-China Agreement, as amended, Eli Lilly has full responsibility for the development, regulatory, manufacturing, and commercialization activities concerning the Ex-China Bi-Specific PD-1 Products throughout the world other than in China at its own cost. Eli Lilly is also responsible for developing a cell line for the expression of the Ex-China PD-1 Products.

In December 2017, pursuant to a letter agreement between us and Eli Lilly, Eli Lilly opted not to pursue development of sintilimab as a monotherapy outside China under the Lilly Ex-China Agreement. The development and commercialization rights of sintilimab as a

monotherapy outside China now belong to us. Eli Lilly has retained a limited right to develop sintilimab in combination with one or more active pharmaceutical ingredients controlled by Eli Lilly or its affiliates ("Eli Lilly PD-1 Combination Product") until we enter into an agreement with a third party for the development of sintilimab outside China. If we enter into an agreement with a third party after Eli Lilly has already commenced patient dosing of an Eli Lilly PD-1 Combination Product, Eli Lilly's development rights for any such Eli Lilly PD-1 Combination Product will continue. If we develop sintilimab outside China in concert with a third party, Eli Lilly will be entitled to a percentage of any remuneration we receive from such third party based on the stage of development and commercialization we are in with respect to such third-party collaboration. If we develop sintilimab as a monotherapy outside China on our own, Eli Lilly will be entitled to regulatory and commercial milestone payments and commercial royalties of a percentage of net sales.

As part of the Lilly Ex-China Agreement, we received a US$20,000,000 upfront payment on June 29, 2015 and can earn royalties of a high-single digit percentage of net sales of Bi-Specific PD-1 Products depending on annual sales volumes.

Under the Lilly Ex-China Agreement, we granted Eli Lilly an exclusive license to our patents and know-how related to sintilimab to develop, manufacture, and commercialize the sintilimab outside China. We also granted Eli Lilly a non-exclusive license to certain of our patents and know-how to develop and manufacture, and an exclusive license to such patents and know-how to commercialize, the Ex-China Bi-Specific PD-1 Products that Eli Lilly has chosen to license from us under the Lilly Ex-China Agreement. In the event that Eli Lilly commercializes an Ex-China Bi-Specific PD-1 Product based on a PD-1 antibody that it has not selected under the Lilly Ex-China Agreement, the milestone payments that it owes to us will be 50% of those listed above, and the royalty payments will be a low-to-mid-single digit percentage of net sales depending on annual volumes.

Each party remains the sole and exclusive owner of its respective intellectual property rights. We will own all inventions and intellectual property developed by us in connection with our activities under the Lilly Ex-China Agreement, while Eli Lilly will own all inventions and intellectual property developed by Eli Lilly in the course of the development, manufacture, or commercialization of the Ex-China Bi-Specific PD-1 Product or otherwise in connection with the Lilly Ex-China Agreement. The parties will jointly own inventions conceived or reduced to practice by the parties jointly and all development and commercialization know-how developed under the agreement. Eli Lilly controls the prosecution and enforcement of the patents related to the Ex-China Bi-Specific PD-1 Products and must consider our advice and suggestions in connection with any prosecution actions and must obtain our approval, which is not to be unreasonably withheld, in connection with any enforcement action.

The term of the Lilly Ex-China Agreement continues on a country-by-country basis until the later of (i) the expiration of the last-to-expire licensed patent in such country, (ii) the expiration of the data exclusivity period that covers the Ex-China Bi-Specific PD-1 Products in such country, and (iii) twelve years after the first commercial sale in such country of the Ex-China Bi-Specific PD-1 Products. In addition to certain customary termination rights such

as the right to terminate for an uncured material breach by the other party or the other party's insolvency, Eli Lilly has the right to terminate the Lilly Ex-China Agreement in its sole discretion by providing 180 days' advance written notice.

Collaboration with Adimab

Beginning in July 2013, and as amended several times including most recently in September 2017, we entered into a collaboration agreement with Adimab, LLC ("Adimab") (the "2013 Adimab Agreement) whereby we agreed to collaborate on programs to co-discover and optimize antibodies directed against various targets. The collaboration began with a program to co-discover and optimize antibodies directed against PD-1 (including sintilimab), for us to develop processes to manufacture such antibodies, and to commercialize such antibodies as pharmaceutical products in China, Hong Kong and Taiwan. We co-discovered sintilimab with Adimab through this collaboration. Over time, we have expanded the scope and number of collaborations to include the discovery, optimization, and development of antibodies targeting PCSK9 (IBI-306) and OX40 (IBI-101), as well as other targets.

Under the 2013 Adimab Agreement, Adimab is primarily responsible for discovery and optimization of individual antibodies delivered to us by Adimab (the "Adimab Products"). Among our pipeline drug candidates, Adimab Products currently include sintilimab, IBI-306, IBI-101, IBI-318 and IBI-319. We are primarily responsible for (i) the development of any Adimab Product, including the conduct of pre-clinical work and clinical trials, (ii) the manufacture of any Adimab Products, including process development, scale-up and formulation, taking place in China, Hong Kong, and Taiwan, and (iii) commercializing the Adimab Products, including associated regulatory activities, everywhere in the world, except for IBI-306 where our commercialization responsibilities only relate to China, Hong Kong and Taiwan. Adimab, likely through a partner, is responsible for commercializing IBI-306 in the rest of the world, including the regulatory activities required to commercialize IBI-306. We have the right of first negotiation to provide worldwide supply of any Adimab Product for development and commercialization. However, in the event we and Adimab are unable to enter into a supply agreement for the clinical or commercial supply of a certain Adimab Product after a three-month negotiation period, Adimab may enter into such agreements with a third party to manufacture such Adimab Product, or elect to manufacture such Adimab Product itself, outside of China, Hong Kong, and Taiwan. If Adimab chooses to manufacture an Adimab Products itself or through a third party, we agree to transfer to Adimab or such third party, at Adimab's expense, all know-how controlled by us necessary and specific to the manufacture of such Adimab Product, except for the related working cell bank.

Under the 2013 Adimab Agreement, we and Adimab established a joint steering committee with equal representation from each party to coordinate and oversee global development, manufacturing and commercialization strategies regarding the Adimab Products. If the parties are unable to resolve a dispute, we have final decision-making authority with respect to the development, manufacture, and commercialization of the Adimab Products in China, Hong Kong, and Taiwan. Adimab has final decision-making authority with respect to development, manufacture, and commercialization of the Adimab Products in the rest of the world.

We and Adimab each own all of our pre-existing intellectual property. Any inventions conceived or reduced to practice while performing activities under the 2013 Adimab Agreement will be jointly owned, regardless of inventorship. We granted Adimab a worldwide, sublicensable, non-exclusive license to our intellectual property for the purpose of discovering Adimab Products. We also granted Adimab a worldwide, royalty-bearing, sublicensable, non-exclusive license under our patents and joint inventions for Adimab to develop, manufacture, and commercialize the Adimab Products. Adimab similarly granted to us a worldwide, royalty-bearing, sublicensable, non-exclusive license under Adimab's patents and joint inventions to develop, manufacture, and commercialize the Adimab Products.

Under the 2013 Adimab Agreement, Adimab grants us a non-exclusive, worldwide, royalty-bearing, sublicensable license under Adimab's patents related to PD-1 to develop, manufacture, and commercialize PD-1 products. For certain of the PD-1 products (including sintilimab) we have entered into a partnership with Eli Lilly, which is more fully discussed above in "-Collaboration with Eli Lilly". Pursuant to the relationship among Adimab, Eli Lilly and us, we entered into a sublicense agreement so that Eli Lilly will make certain payments directly to Adimab, instead of making such payments indirectly to Adimab through us. Pursuant to our collaboration with Eli Lilly, Adimab received milestone payments of an aggregate of US$15,000,000 from us and Eli Lilly. These payments include a US$5,000,000 payment from Eli Lilly to Adimab, a US$5,000,000 payment from us to Adimab that was made on December 27, 2016 and another US$5,000,000 payment from us to Adimab that was made on February 1, 2018. Adimab is also entitled to receive from Eli Lilly additional milestone payments based on the development of Bi-Specific PD-1 Products which include IBI-318 and IBI-319, and will be entitled to receive from Eli Lilly a royalty of a low-single digit percentage of net sales in China and a royalty of a mid-single digit percentage of net sales outside of China on annual sales of the PD-1 products covered by the 2013 Adimab Agreement. Adimab will receive a 50% reduction in royalty payments on Bi-Specific PD-1 Products.

Under the 2013 Adimab Agreement, we control the prosecution and enforcement of the licensed patents related to the Adimab Products in China, Hong Kong and Taiwan and Adimab controls the prosecution and enforcement of the licensed patents related to the Adimab Products in all jurisdictions other than China, Hong Kong and Taiwan.

The 2013 Adimab Agreement continues on a country-by-country and product-by-product basis until the later of (i) the expiration of the last-to-expire licensed patent covering an Adimab Product in a particular country and (ii) 12 years after the first commercial sale of the Adimab Product in such country. In addition to the right to terminate in connection with an uncured material breach by the other party, at any time after September 2022, either party may terminate the 2013 Adimab Agreement in its entirety upon six months' prior written notice to the other party if (a) no Adimab Product has entered into clinical trials, (b) no Adimab Product is under development and (c) the absence of development is not the result of a breach by the party seeking to terminate.

Effective January 2016, we entered into an additional collaboration agreement with Adimab (as amended, the "2016 Adimab Agreement") whereby Adimab will discover new antibodies against targets of our choosing, including OX40, (collectively, the "2016 Adimab

Products"). Under the 2016 Adimab Agreement, we granted Adimab a non-exclusive, non-sublicensable license under our patents and know-how so that Adimab could conduct its discovery work.

We retained an option under the 2016 Adimab Agreement to develop and commercialize any 2016 Adimab Products discovered by Adimab in its research. Upon our exercise of the option on a product-by-product basis, Adimab will assign to us all ownership interest in the optioned 2016 Adimab Products and the patents covering such products. Adimab also will grant us a worldwide, royalty-bearing sublicensable license under Adimab's intellectual property to develop, manufacture and sell such optioned 2016 Adimab Products. In exchange for these rights, we made an upfront payment of US$500,000 to Adimab on March 22, 2016. We also agreed to reimburse Adimab for the time expended by its employees researching the 2016 Adimab Products. Adimab will receive pre-clinical milestone payments totaling up to US$1,400,000 for each 2016 Adimab Product. Adimab will also receive clinical milestone payments related to OX40 (IBI-101) ranging from US$1,000,000 to US$5,000,000 for achievement of different milestones in different countries or regions. For the other 2016 Adimab Products, Adimab will receive the above milestone payments for work done anywhere in the world, including work done in China. Adimab is also eligible to receive a royalty of up to a low single digit percentage of worldwide net sales with respect to each 2016 Adimab Product.

For the OX40 product (IBI-101), for which we have already exercised our option, we agreed to make an upfront payment of US$750,000 to Adimab on October 31, 2017, and we also agreed to make milestone payments totaling up to US$9,500,000. Adimab is also eligible to receive a royalty of up to low-single digit percentage for sales of OX40 products.

Under the 2016 Adimab Agreement, we and Adimab each own all of our pre-existing intellectual property. Any inventions conceived or reduced to practice while performing activities under this agreement, other than inventions concerning Adimab's discovery technology, will be owned based on inventorship. Inventions made and owned by Adimab are subject to our option rights, through which we can gain ownership of or a license to such inventions.

Under the 2016 Adimab Agreement, with certain limited exceptions, we must not research, develop or commercialize any antibody related to the 2016 Adimab Products or any modified or derivative form of such antibody or any product related to the foregoing except as permitted by the 2016 Adimab Agreement.

We control the prosecution of all patents covering the 2016 Adimab Products. If we exercise our option under the 2016 Adimab Agreement, we must use commercially reasonable efforts to prosecute at least one optioned 2016 Adimab Products in the United States, Japan and Europe. Both before and after the option is exercised, Adimab will have the right to review and comment on prosecution of any patents covering the 2016 Adimab Products. If we do not exercise the option, all such patents that have been filed must be promptly abandoned without being published.

The 2016 Adimab Agreement continues (i) until the conclusion of the last-to-expire research program in the event that we do not exercise our option or (ii) in the event that we exercise our option, on a country-by-country and product-by-product basis until the later of (a) the expiration of the last-to-expire licensed patent in such country and (b) 12 years after the first commercial sale of the 2016 Adimab Product in such country. Either party may terminate the 2016 Adimab Agreement upon an uncured material breach by the other party.

Collaboration with Hanmi

In March 2017, we entered into a collaboration agreement with Beijing Hanmi Pharmaceutical Co., LTD to develop and commercialize IBI-315, an anti-HER2/PD-1 bi-specific antibody. Beijing Hanmi Pharmaceutical Co., LTD is a subsidiary of Hanmi Pharmaceutical Co., Ltd.

Under the collaboration agreement, the parties agreed to jointly participate in the development of IBI-315. Hanmi will take the lead in initial product development and creation, and subsequent product development outside of China. We will take the lead in product development in China as well as developing the worldwide manufacturing processes. In developing and commercializing IBI-315, the parties will share the development and commercialization expenses and profits.

In the development and commercialization of IBI-315, each party maintains ownership of its own background intellectual property rights, as well as improvements made to that intellectual property by either party under the collaboration agreement. Intellectual property developed by either party under the collaboration agreement that is not an improvement of only one party's intellectual property is jointly and equally owned by both parties. Each party provides the other a co-exclusive (with the other party) fully-paid, royalty free license under such party's intellectual property and joint intellectual property to the extent necessary to perform under the collaboration agreement in the development of IBI-315.

Neither party is obligated to pay any upfront payment, milestone payment or royalty fee under the collaboration agreement, and the Company did not make or receive any payment pursuant to the collaboration agreement during the Track Record Period.

Exclusive License from Protevo

In June 2012, we entered into an agreement ("the Protevo Agreement") with Taiwan-based AP Biosciences, Inc., formerly known as ProtevoBio, Inc. ("Protevo"), whereby Protevo granted us an exclusive, worldwide license under certain of Protevo's patents, patent applications and know-how to develop, manufacture and commercialize biopharmaceutical products incorporating a bi-specific anti-complement/VEGF protein, ACVP1, and its variants (an "ACVP1 Product"). Under the Protevo Agreement, we have the right to sublicense the license granted by Protevo, but we must provide Protevo with advance notice of our intent to enter into a sublicense agreement and the opportunity to discuss and comment on such proposed sublicense agreement. We must use commercially reasonable efforts to develop,

obtain regulatory approval for, manufacture and otherwise commercialize the ACVP1 Product in China. The ACVP1 Product we are currently developing is IBI-302. Upon obtaining regulatory approval and successfully launching the ACVP1 Product in China, we must use commercially reasonable efforts to obtain regulatory approval in the countries that grant regulatory approval to market the ACVP1 Product solely based on its regulatory approval in China or find a sublicensee to develop or commercialize the ACVP1 Product in those other countries. We have not breached the covenant to use commercial reasonable efforts with respect to IBI-302 and there has not been any material impediment to the development of IBI-302.

In exchange for these rights, we paid an upfront payment of US$250,000 to Protevo. We also paid Protevo milestone payments of US$250,000 for confirmation of ACVP1 activity *in vitro* and *in vivo*, and US$500,000 for an IND filing of an ACVP1 Product in China and may owe the following milestone payments totaling up to US$3,500,000 for an ACVP1 Product in China going forward. These milestone payments are US$500,000 for initiation of a Phase II clinical trial in China, US$1,000,000 for initiation of a Phase III clinical trial in China, and US$2,000,000 for commercial launch of an ACVP1 Product. We also agreed to pay Protevo a royalty of low-single digit percentage of net sales made in China or any of the aforementioned other countries. With respect to sales in the rest of the world, we agreed to pay Protevo 30% of any sublicensing revenue we receive, offsetting such sublicensing for ex-China development costs. In addition, we also agreed to pay Protevo 30% of sublicense royalties we receive, subject to a requirement that the patent application either issues with a valid claim covering the product or has such a claim pending within seven years of the patent's 2011 priority date.

OUR PLATFORM

We have created a fully-integrated platform for the discovery, development, manufacture and commercialization of antibody drug candidates in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases. The full integration of our platform enables smooth collaboration between different functional groups at key points in the lifecycle of a drug candidate with the aim of increasing the speed of development and likelihood of success while at the same time reducing the cost of development. In addition, our platform has been stress tested through the development of sintilimab and the biosimilar drugs in our pipeline by requiring each functional group to perfect their process, approach and collaboration skills.

Within the short period of time since our inception, we have successfully built up all the necessary capabilities of a fully-integrated biologics platform company. These capabilities are housed in four main functional platforms: drug discovery and pre-clinical development, CMC and manufacturing, clinical development, and commercialization. These individual functional platforms have been optimized and great attention has been given to building cross-function integration at key points in the lifecycle of a drug candidate. According to Frost & Sullivan, the research and development expenses likely to be incurred for a potential innovative biologic candidate in China in general range from RMB100 million to RMB150 million during the discovery and pre-clinical development stage, and from RMB250 million to RMB350 million during the clinical development stage. In addition, an efficient operating system for these individual functional platforms has been built, laying a solid foundation for bringing our strong pipeline of innovative drugs from inception through manufacturing and commercialization.

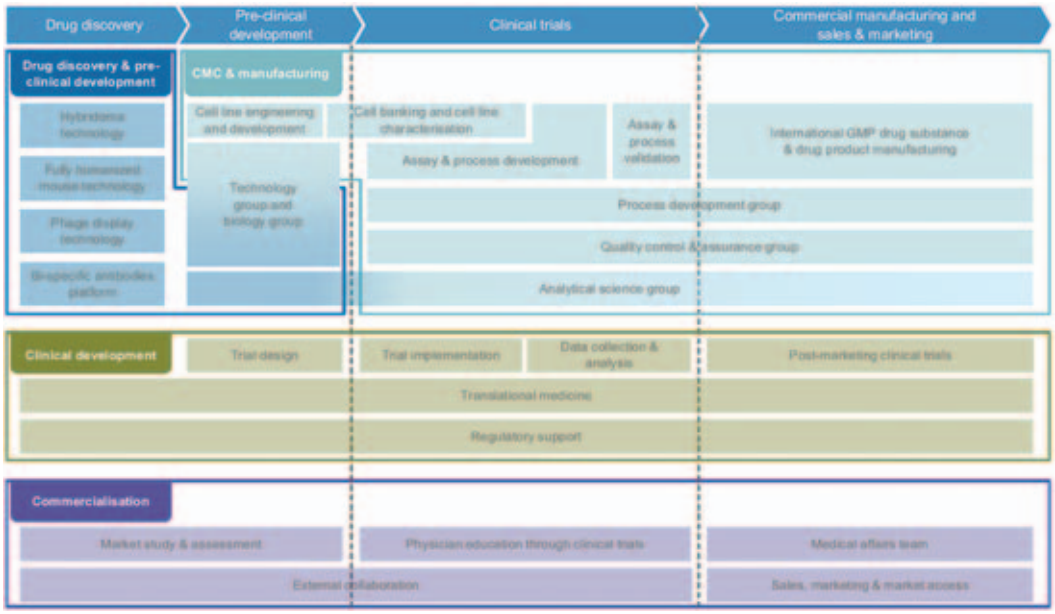
Our fully-integrated platform is capable of addressing the common challenges in engineered antibodies in relation to devising safety measures against immunogenicity, manufacturing for product stability, scaling-up for purity and yield.

- Immunogenicity: Our platform discovers and develops antibodies that are fully human for the purpose of minimizing immunogenicity. At the discovery stage, the Company, either independently or in collaboration with its partners, designs antibody molecules using human DNA sequences to mitigate immunogenicity risks and also examines amino acid sequences against historical protein databases to eliminate known immunogenicity risks. In addition, the Company designs antibodies such that they have an array of desired properties, such as high target binding affinity, desired Fc functions and high product quality, which in turn can lead to clinical effectiveness at relatively low dosages and frequencies of drug administration that further reduces immunogenicity risks. In the case of the anti-PD-1 product, sintilimab, the Company understands the underlying mechanism of action from the beginning at an early discovery stage, and examines its designed properties throughout the development process. For instance, the Company monitors immunogenicity closely during clinical studies to ensure product safety as well as efficacy. Results from the Company's clinical trials with sintilimab for relapsed/refractory classical Hodgkin's lymphoma have validated the Company's designs for sintilimab, with 1.1% immunogenicity observed.

- Manufacturing for product stability: As each antibody drug candidate goes through the integrated platform from discovery to development and to manufacture, the Company closely monitors the designed critical quality attributes (CQAs) of the antibody that confer on safety and efficacy. The Company utilizes state-of-the-art analytical techniques to ensure the consistency of product quality throughout the manufacturing processes, as any deviation from the Company's design can have ramifications on the required exposure time and frequency on infusion, treatment costs, and patient quality of life.

- Scaling-up for purity and yield: The Company abides by, and in some areas even goes above and beyond, global standards during the manufacturing process. For instance, from toxicology study to clinical manufacturing and then to commercial production, the Company controls the release of incoming raw materials using its quality control system. With scaling-up of manufacturing, the Company takes advantage of the integrated platform to closely monitor, and ensure consistency of, product yield and quality (including purity and impurities), product-related heterogeneity and other general properties. The Company not only uses the controlled raw material release methods to help ensure consistency of product quality, but also employs an array of characterization methods to ensure comparability of product quality including Fc functions. Furthermore, the Company conducts risk analyses and takes the Quality by Design (QbD) approach to apply control strategy in its manufacturing processes including scale-ups.

The following chart illustrates the four main functions of our fully-integrated platform.



Drug Discovery and Pre-clinical Development

This aspect of our fully-integrated platform is focused on the discovery and pre-clinical development of new drug candidates. We have discovered 12 drug candidates which are currently in various stages of development, including three discovered solely by ourselves (i.e., IBI-307, IBI-322 and IBI-323) and the other nine discovered in collaboration with our partners (i.e., sintilimab, IBI-306, IBI-101, IBI-188, IBI-110, IBI-939, IBI-318, IBI-319 and IBI-315).

We use various antibody discovery and engineering technologies, either independently or in collaboration with third parties, to generate novel mono-specific or bi-specific antibodies, evaluate their potential efficacy and eventually determine whether the antibodies can be further developed as therapeutics. The four major approaches we use to generate mono-specific antibodies or engineer bi-specific antibodies are summarized below:

- *Hybridoma technology*: We first generate a mouse antibody through immunization of mice with the target antigen. We then convert the mouse antibody into an antibody with characteristics that mimic a human antibody through a process called humanization.

- *Fully humanized mouse*: We licensed mice with a human immune system from third-party developers of human antibody discovery platforms, including Trianni, Inc. and Harbour Antibodies. These mouse strains can be used to discover potential human monoclonal antibody drug candidates. See "– Raw Materials and Suppliers" for more information on the mice strains we use to discover drug candidates.

- *Phage display*: We use a protein target to screen monoclonal antibodies from our own proprietary human synthetic antibody library (also called a phage library). Such process is called phage display.

- *Bi-specific antibody platforms*: We collaborate with third-party developers such as Eli Lilly, Hanmi and Epimab to generate bi-specific antibodies by engineering two different mAbs and assembling them into a single molecule. See "– Collaboration Agreements – Collaboration with Eli Lilly" and "– Collaboration Agreements – Collaboration with Hamni" for more information on our collaborations with Eli Lilly and Hanmi, respectively, in the development of novel bi-specific antibodies.

Our typical drug discovery and development project team brings together relevant specialists from across our Company, as needed, throughout the development of a drug candidate. This includes ongoing involvement of our CMC function to identify, at an early stage, characteristics of a drug candidate that could hamper clinical trials or impede efficient manufacturing of a drug candidate so these issues can be addressed efficiently before the drug candidate progresses to the next stage of development. To ensure effective collaboration, we have project team co-leaders with one leader from each of the groups below.

- *Technology Group*: The technology group handles drug discovery and development steps after the identification of the target for an antibody drug candidate, including genetic engineering, pre-formulation of drug candidates and initial physiologic and chemical characterization. Our technology group has dedicated significant effort to the discovery of bi-specific antibodies that bind to two targets, which is an area at the forefront of immuno-oncology research.

- *Biology Group*: The biology group identifies disease and drug targets and studies the functional aspects of a drug candidate from a chemical and physiologic standpoint, including biochemical and physiologic analysis of antibody and target interactions.

Our drug discovery function is led by a key management team experienced with drug discovery and development and consists of 52 employees as of the Latest Practicable Date, among whom 18 members hold doctorate degrees and 26 members hold master's degrees. Members of the technology group generally have biochemistry, protein engineering and modeling backgrounds. Members of the biology group generally have immunology and in vivo pharmacology backgrounds.

CMC and Manufacturing

This aspect of our fully-integrated platform covers CMC functions including process development and analytical science. Each of these functions is seamlessly coordinated with one another, and this group also supports our manufacturing capability.

Based on the concept of Quality by Design (QbD), we have established a comprehensive, product-oriented platform that facilitates drugability assessment, high expression production cell line development, cell culture, purification, formulation and fill/finish process development and scale-up, analytical development, technology transfer, commercial manufacturing, and quality control. This platform gives us the ability to advance drug candidates to commercialization efficiently and effectively. In addition, we have built an international-standard commercial biopharmaceutical manufacturing facility.

Our CMC capability includes the following functions.

- *Process Development Group*: The process development group focuses on development of full-scale industrial manufacturing processes for clinical and commercial production that are cost-effective and accelerate the speed of drug production. This group has developed highly specialized technology to address the particular challenges inherent in efficiently manufacturing the novel and complex protein-based drug candidates that we develop.

- *Analytical Science Group*: The analytical science group implements a science-driven, clinical and commercial production oriented approach to the development and application of both classic and state-of-the-art analytical techniques and tools throughout the life cycle of each of our drug candidates. This team supports and works closely with all the other functions in our fully-integrated platform, particularly the drug development, process development and quality control functions. This group's work includes:

  - o early-stage assessment of each drug candidate's critical quality attributes to determine its potential for development as a stable and cost-effective new drug, also known as drugability;

  - o comprehensive and thorough research and analysis of protein structure and mechanism of action; and

  - o assessment of product production from development to full-scale manufacture, quality control and drug release strategies for IND and NDA applications.

- *Quality Control and Assurance Group*: The quality control and assurance group oversees the quality of our facilities and our products, as well as the quality systems in research and development, manufacturing and commercialization of drug candidates and potential future commercial products. This group's work includes:

  - o ensuring quality control throughout the manufacturing process, including specification of the drug substance and the drug product, testing of raw materials, and product quality assessments;

  - o establishing a quality assurance system across the entire business, including employee training programs, audits of various business segments and product manufacturing; and

  - o validation of facilities and equipment, which includes laboratory tests to verify that a particular process, method, program, equipment or material works properly.

Our CMC and manufacturing capability is enabled by certain key technologies and processes that are summarized below.

- *Cell Line Engineering and Development*: This is a core process for drug development where, once a biologic drug candidate has been identified, we grow host cells for the purpose of producing therapeutic proteins. A cell line is a population of cells which descend from a single cell and contain the same genetic makeup, thereby producing the same proteins. The productivity of a cell line determines the cost of manufacturing and the quality of a cell line determines the quality of the relevant biologics. We have built a state-of-the-art cell line development platform with proprietary technologies. We conduct cell line engineering and development using third-party cell lines and are developing our own proprietary cell lines. As of the Latest Practicable Date, we had developed more than 20 cell lines for our drug development purposes.

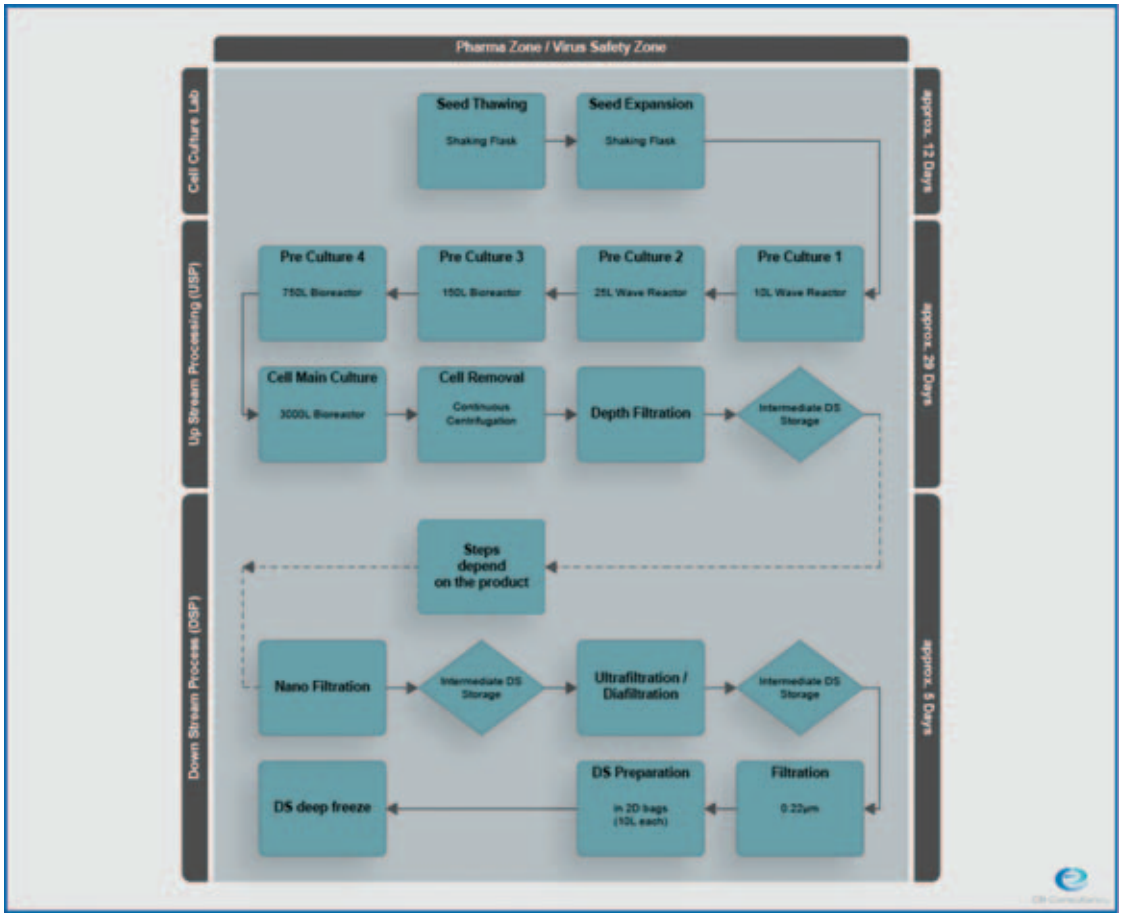
- *Cell Banking and Cell Line Characterization*: After the cell lines are defined and developed, the cell lines are made into a series of cell banks, which consist of an adequate number of vials of cells stored in liquid nitrogen. The process of making cell banks is cell banking. The cell banks are tested and characterized in accordance with regulatory guidance to make sure that they produce the expected biologic drug candidates, are pure with no microbial or mycoplasma contamination, and are not contaminated by viruses.

- *Assay and Process Development*: This is the process where, upon creation of a cell bank, we develop a manufacturing process that can produce a biologic drug candidate on a large scale and generate consistent results over time. A number of steps are essential in this process. As proteins are typically not stable, we test and develop a buffer solution with stabilization agents, known as a formulation, and combine the proteins with the formulation so as to stabilize the proteins for clinical use. In addition, once a biologic drug candidate is produced, we develop and conduct many assays on the drug candidate to ensure that it is safe, efficacious and consistent from one manufacturing lot to another.

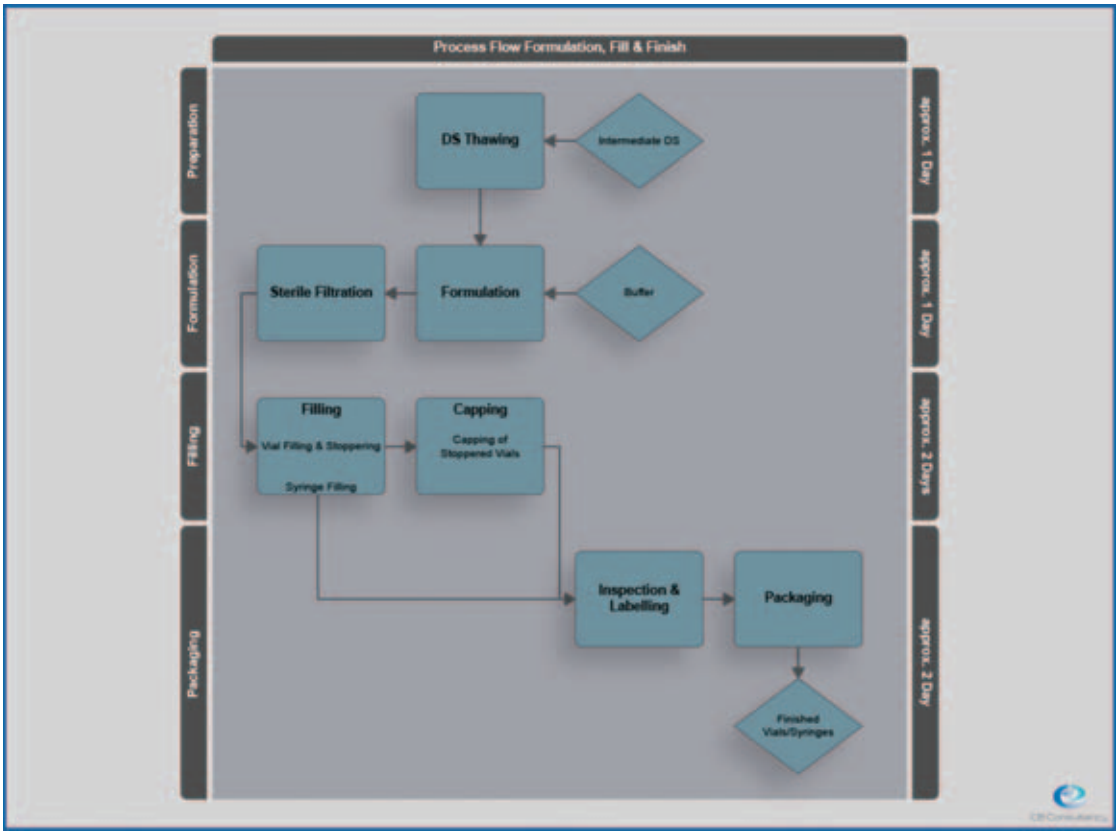
- *Assay and Process Validation*: Once the manufacturing process and the related assays are developed, we validate them to ensure that the manufacturing and testing of a product will generate consistent results every time. This process is called assay and process validation.

- *Drug Substance and Drug Product Manufacturing*: After the manufacturing processes and the related assays are validated, the processes and assays are transferred to large scale manufacturing facilities where our drug candidates for clinical trials and for future commercialization are produced. Our manufacturing capabilities include both drug substance and drug product manufacturing, from upstream cell culture, downstream purification, formulation, sterile filling and packaging. Single-use technologies have been used in our drug substance manufacturing. A larger scale stainless steel bioreactor facility is under construction.

The following diagram illustrates the basic process for manufacturing our monoclonal antibodies. Certain aspects of the process vary by the specific monoclonal antibodies being manufactured.



The following figure shows the basic process flow of the formulation and fill/finish procedure.



We operate our manufacturing facilities on our main campus in Suzhou that are designed to comply with both Chinese and international drug manufacturing standards. From our inception, we have focused on constructing and operating manufacturing facilities that are designed to meet rigorous international good manufacturing practice (GMP) standards. We have undergone ordinary course, comprehensive annual audits of our production facility to evaluate compliance with industry GMP and quality compliance standards.

- *Manufacturing Building 1*: Our Manufacturing Building 1 has 21,579.52 m^2 of floor space and currently houses our first stage production facilities with three 1,000L disposable bioreactors. These facilities produce the drugs that we use for clinical trials. We expect our existing facilities to be able to support our commercial manufacturing needs for our first two products, namely sintilimab and, subject to the speed of the regulatory review process, either IBI-303 or IBI-305, through 2020.

- *Expansion in Manufacturing Building 1*: We have begun construction on our second stage production facilities, which will also be housed in Manufacturing Building 1. When completed, these facilities will be equipped with six 3,000L stainless steel bioreactors, bringing our total production capacity to 21,000L. This expansion will provide us additional capacity to support commercial production as well as clinical trials. These facilities are scheduled to go into operation in the second half of 2019 and we expect them to provide us with sufficient manufacturing capacity to support the growth of our business for at least five years.

- *Manufacturing Building 2*: Our Manufacturing Building 2 has an additional 24,330.12 m^2 of floor space to accommodate our future growth. We plan to install four 15,000L stainless steel bioreactors in this building as and when needed.

Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements governing recordkeeping, manufacturing processes and controls, personnel, quality control and quality assurance, among others. Our manufacturing facilities are designed to operate under, and are expected to receive certifications for cGMP requirements. We hold, and our manufacturing facilities operates under, a pharmaceutical manufacturing license issued by the NMPA.

Clinical Development

The clinical development function of our fully-integrated platform manages clinical trials including clinical trial design, implementation, and the collection and analysis of trial data. As of the Latest Practicable Date, we have designed and implemented more than a dozen clinical studies.

Our clinical development function has entered into long-term partnerships with numerous hospitals and principal investigators located in different regions of China that offer us readily available clinical trial facilities and services. We believe the size and geographic diversity of these facilities provide us a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple clinical trials concurrently.

We use contract research organizations, or CROs, and consultants that manage, conduct and support our clinical trials and pre-clinical studies in China and in the U.S. We selected our CROs weighing various factors, such as their qualifications, academic and professional experience and industry reputation. The CROs provide us with an array of products and services necessary for complex clinical trials. In addition to the scope, depth and quality of their service and product offerings, we place a high value on our CROs' ability to facilitate optimal site selection, timely patient recruitment and efficient conduct of complex clinical trials. Generally, we enter into a master service agreement with a CRO under which we execute a separate work order for each pre-clinical or clinical research project, or we enter into a research and development contract with a CRO for an individual project. We supervise these third-party service providers to ensure that they perform their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies.

Key terms of an agreement we typically enter into with our CROs are summarized as below:

- *Services*. The CRO provides us with services related to a pre-clinical or clinical research project as specified in the agreement or a work order.

- *Term*. The CRO is required to complete the pre-clinical or clinical research project within the prescribed time limit.

- *Payments*. We are required to make payments to the CRO in accordance with the payment schedule agreed by the parties.

- *Intellectual property rights*. We own all intellectual property rights arising from the pre-clinical or clinical research project.

- *Risk allocation*. Each party should indemnify the other party for losses caused by its fault or gross negligence. If the research fails due to unresolvable technical difficulties or otherwise due to circumstances beyond control, the parties should negotiate how to allocate the losses resulting from such failure.

We believe our strength in recruiting clinical trial participants and our ability to conduct large, high-quality clinical trials enable us to reduce our drug development timelines by generating the requisite data reliably and efficiently. Supported by our CROs and our geographically diverse hospital partners, we are able to recruit specialized populations for otherwise difficult-to-recruit clinical trials. We have the expertise and experience in recruiting for and conducting trials involving a variety of therapeutic areas including oncology, ophthalmology, and autoimmune and metabolic diseases.

The clinical development function also manages the regulatory submission process for our drug candidates, which require filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. The clinical development function prepare and manage regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting GMP readiness assessments for our drug candidates. We possess extensive knowledge and experience with regard to regulatory filings in China and the United States.

The clinical development function also includes the translational medicine function which produces biomarkers and diagnostics for our clinical trials.

Our clinical development function is comprised of a clinical strategy department and a clinical research and operation department. The clinical strategy department, which consists of 55 members as of the Latest Practicable Date, is led by Mr. Kerry L. Blanchard, M.D., Ph.D., our Chief Science Officer. Dr. Blanchard received a B.S. in chemistry, a Ph.D. in biochemistry and a M.D. from Indiana University. He completed a residency in Internal Medicine and fellowships in Hematology and Medical Oncology at the Brigham and Women's Hospital, the Dana Farber Cancer Center and Harvard Medical School. Dr. Blanchard was previously Senior Vice President in China Medicines Development Unit and External Innovation of Lilly China and has more than 18 years of leading drug discovery and drug development experience. The clinical research and operation department, which consists of 113 members as of the Latest

Practicable Date, is led by Ms. Jessie Chen, our Chief Medical Officer, who has 20 years of in-depth experience in the relevant field. Ms. Chen graduated from the Capital University of Medical Sciences with a bachelor's degree in clinical medicines. She was previously head of the Clinical Trial Management and Portfolio Project Management departments at Pfizer where she accumulated extensive experience in clinical operations, standard operating procedures (SOPs), training, process implementation, clinical data services and portfolio project management.

Commercialization

This aspect of our platform encompasses marketing, sales, medical affairs and market access. We intend to commercialize sintilimab and our other drug candidates in China, if approved, with a direct sales force. We are currently building and expect to have a 250-member commercialization team by the time we receive marketing approval for sintilimab in China. We plan to double that size to a 500-member commercialization team in anticipation of the increased market demand for sintilimab and prior to the commercial launch of our first biosimilar drug candidate in China.

- *Marketing and sales*. We are expanding our sales and marketing team to cover a majority of the provinces and municipalities in China. As of the Last Practicable Date, our marketing leadership team is in place with the head of marketing and three marketing directors on board. Our sales leadership team is also in place with two sales heads and eight regional sales directors on board. We are increasing the size of our sales and marketing force rapidly in preparation for the commercial sales of our first wave of approved drug candidates, and we aim to have all the marketing staff and first line sales managers on board by the end of third quarter of 2018 and build a sizeable sales and marketing team by the end of 2018.

  Our sales and marketing force will market our future approved drug candidates to physicians and hospital administrators using a physician-targeted marketing model, focused on promoting the differentiating clinical aspects of our products. Such marketing efforts usually commence several months before the expected approval for the commercialization of a drug candidate.

  Our sales representatives will focus on effective market coverage and penetration to meet the anticipated demand for our future approved drug candidates in their respective regions and for their approved indications. We are currently building our sales force that is dedicated to the commercialization of our late-stage core products for their respective first approved indications. We will continue to expand our dedicated sales force as we develop and commence commercialization of more approved products and for additional indications.

- *Medical affairs*. We have also quickly established our medical affairs team comprised of medical managers and medical science liaisons, or MSLs, who are primarily responsible for post-launch clinical data generation and medical communication. Our medical affairs and marketing personnel focus on raising our

brand awareness and recognition by organizing academic seminars and conferences, sponsoring investigator-led clinical trials, providing academic consulting services and developing collaborative clinical solutions.

- *Market access*. Our market access team is responsible for channel and key account management, insurance and reimbursement and patient assistance. We have established strong relationships with physicians, hospital administrators and leading experts in the field of oncology.

Our chief commercial officer, Mr. Min Liu, leads our sales, marketing and market access operations. Mr. Liu was previously a member of the Roche Global Oncology Franchise Leadership Team and vice president and head of one of Roche's two oncology business units in China. The unit he led was in charge of the marketing and sales efforts for products in the fields of lung cancer, gastrointestinal cancer and hematology. In his role as our chief commercial officer, Mr. Liu is supported by key commercial leadership members who have significant commercial experience in the pharmaceutical industry. We provide in-house education and training to our sales force to improve their sales skills and efficiency and to ensure they provide our current and prospective clients with comprehensive information about our product candidates and future products.

To further strengthen our competitive position, we will leverage our co-promotion and co-branding arrangement with Eli Lilly for sintilimab and IBI-301 in China, tapping into Eli Lilly's in-depth knowledge of the China market. We also expect to benefit from Eli Lilly's own commercialization team in China and its institutional relationships in China.

We are supporting numerous investigator-led clinical trials to generate local clinical data and accumulate relevant clinical experience that will support the clinical use of our future approved products. We are building the infrastructure that will allow us to employ centralized information technology to integrate market information from various sources into a unified system to increase the efficiency and effectiveness of our market data collection and analysis.

CUSTOMER

During the Track Record Period, we derived all of our revenues from the license granted to and research and development services provided to a China-based biopharmaceutical company. For the year ended December 31, 2016, we had no revenue. During the year ended December 31, 2017, we entered into agreements with such company for licensing of patented technology and provision of manufacturing and validation services to them with respect to an early-stage drug candidate that we discontinued to develop as a pipeline product candidate, and generated revenues from such activities. This drug candidate we licensed to the customer was an anti-VEGF fusion protein and was developed to treat age-related macular degeneration (AMD) and tumor. We decided to discontinue the development of this drug candidate at a very early preclinical stage when we came to realize the commercial viability of this drug candidate is relatively low as compared to our other pipeline drug candidate, such as IBI-302. At the Latest Practicable Date, this drug candidate remained at preclinical stage.

As of the Latest Practicable Date, none of our Directors or any Shareholder, who, to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the Global Offering (but without taking into account the exercise of the Over-allotment Option) nor any of their respective associates had any interest in our customer.

RAW MATERIALS AND SUPPLIERS

We develop cell lines either independently or in collaboration with third parties when we begin discovery and development on a new drug candidate. We maintain a master cell bank with separate copies in two locations and we produce working cell banks from the master cell bank.

We licensed transgenic mice from third-party developers of human antibody discovery platforms, including Trianni, Inc. and Harbour Antibodies. These mouse strains have been humanized and therefore express human proteins, and can be used to discover potential human mAb drug candidates against human inflammatory disease, cancer and other targets.

We procure equipment for the development and manufacture of our drug candidates from industry-leading, highly reputable manufacturers and suppliers around the world.

We purchase cell culture media from several reputable third-party suppliers on a regular basis. We test the cell culture media when received to ensure consistent quality. For certain drug candidates, we have developed and used our own proprietary cell culture media with an optimized formulation.

We use contract research organizations, or CROs, and consultants that manage, conduct and support our clinical trials and pre-clinical studies in China and in the U.S. For further details, see "– Our Platform – Clinical Development."

For the two years ended December 31, 2016 and 2017, our purchases from our five largest suppliers in the aggregate accounted for 32.8%, and 39.2% of our total purchases (including value added tax), respectively, and purchases from our largest supplier alone accounted for 11.8%, and 13.1% of our total purchases (including value added tax), respectively. Purchases include raw materials, third-party contracting services for research and development purposes, machines and equipment and administrative services. All of our five largest suppliers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

We have established relationships with preferred suppliers of raw materials for our manufacturing activities who we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these raw materials. These strategies will be

implemented by the end of 2018 and we will establish necessary relationships with these alternative sources based on supply continuity risk assessment. We currently order approximately 70% of our raw materials and services from suppliers with whom we have signed long-term supply contracts, and we order the rest of our raw materials and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

AWARDS AND RECOGNITIONS

Our leader, Dr. De-Chao Michael Yu, is a biopharmaceutical expert in China who has invented the world's first oncolytic virus-based immunotherapeutic product, Oncorine, and also co-invented and led the development of the first domestic innovative fully human antibody-like therapeutic approved for marketing in China, Conbercept. Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognized as "Top Ten Persons in Innovation in China" in 2014, "The E&Y Entrepreneur of the Year in China" in 2015 and "Distinguished Entrepreneur of Jiangsu Province" in 2016. In 2017, Dr. Yu was selected as "Person of the Year in Innovation for Science and Technology in 2016", "2017 China Person of the Year in Pharmaceutical Economics" and "The Most Influential Person of the Year in Life Science in China in 2017". In 2018, Dr. Yu was awarded as the First Prize of "The Seventh National Overseas Returnee Contributions Awards".

Dr. Yu currently serves as the Chairman of the Board of the Chinese Antibody Society, a Deputy Director of the National Technical Committee on Biochemistry Products and Testing Technology of the Standardization Administration of China, a Deputy Director of Drug Research and Development Special Committee of China Pharmaceutical Innovation and Research Development Association, a Deputy Director of the Committee of Cancer Immunology and Cancer Biotherapy of the Chinese Society for Immunology, a Managing Director of the Chinese Association for Medicinal Biotechnology, a Standing Committee Member of the Special Committee of Gene Therapy Society of the Chinese Association of Medicinal Biotechnology, a member of the Special Committee for Precision Medicine of the China Medicinal Biotech Association and a member of the Special Committee for Cancer Biotherapy of the China Anti-cancer Association.

Our Company has received numerous Chinese national, provincial and local level research grants for our innovative drug development efforts, including two grants for the development of our sintilimab and IBI-301 drug candidates which were approved in 2014 by the Office of Key New Drug Innovation of the National Health and Family Planning Commission of the People's Republic of China. A summary of the key research grants that our Company has received is set forth in the table below.

Pipeline Candidate	Grant Type	Grant Institution	Project Name	Date of Grant	Approved Grant Amount
IBI-301	2014 National Major Scientific and Technological Special Project for "Significant New Drugs Development" (2014年國家重大新藥創製專項)	Office of Key New Drug Innovation of the National Health and Family Planning Commission of the People's Republic of China (國家衛生計生委重大新藥創製科技重大專項實施管理辦公室)	Clinical trial of recombinant human-mouse chimeric anti-CD20 monoclonal antibody (重組人-鼠嵌合抗CD20單克隆抗體臨床研究)	June 12, 2014	RMB5.28 million
sintilimab (IBI-308)	2014 National Major Scientific and Technological Special Project for "Significant New Drugs Development" (2014年國家重大新藥創製專項)	Office of Key New Drug Innovation of the National Health and Family Planning Commission of the People's Republic of China (國家衛生計生委重大新藥創製科技重大專項實施管理辦公室)	Research and development of a fully human anti-PD-1 monoclonal antibody (抗PD-1全人源單克隆抗體研製)	June 12, 2014	RMB3.49 million
IBI-310/IBI-101	2017 National Key Research and Development Plan – Key Special Project on Precision Medicine Research (2017年國家重點研發計劃-精準醫學研究重點專項)	Development Center for Medical Science and Technology, National Health and Family Planning Commission of the People's Republic of China (國家衛生計生委醫藥衛生科技發展研究中心)	Research and development of genetically modified therapeutic antibodies and standardization of clinical treatment (修飾型抗體治療藥物研發與治療標準化)	October 18, 2017	RMB3.51 million

Our research and development capability was recognized as one of the "Top Ten Breakthroughs in the China Biopharmaceutical Industry" (中國醫藥與生物技術十大進展) by China Medicinal Biotechnology Association (中國醫藥生物技術協會) in 2015. In June 2016, our Company was selected to attend the National "12th Five-Year" science and technology innovation achievement exhibition, where our achievements were recognized by national leaders. In recognition of our achievements in innovation-driven drug development, our Company was invited to join and speak at the sixth U.S.-China Innovation Dialogue that took place at the State Department in Washington D.C. in June 2015. We were selected into the List of China's Unicorn Companies for 2017 (2017中國獨角獸企業榜單) by Torch High Technology Industry Development Center, Ministry of Science and Technology (科學技術部火炬高技術產業中心). Our achievements have been highlighted in the People's Daily and The Wall Street Journal and on China Central Television.

COMPETITION

Our industry is highly competitive and subject to rapid and significant change. While we believe that our fully-integrated platform, our robust pipeline of drug candidates in clinical and pre-clinical trials and our experienced leadership team provide us with competitive advantages, we face potential competition from many different sources working to develop therapies targeting the same indications against which we develop our drug candidates. These include major pharmaceutical companies, such as Merck, Bristol-Myers Squibb, Roche, Jiangsu Hengrui, Qilu Pharmaceutical and Hisun Pharmaceutical, specialty pharmaceutical and biotechnology companies, such as BeiGene, Junshi and Henlius, and academic institutions, government agencies and research institutions. Any drug candidates that we successfully develop and commercialize will compete both with existing drugs and with any new drugs that may become available in the future.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover property loss due to accidents or natural disasters, product damages during shipment, and adverse events in clinical trials. We do not maintain product liability insurance or key-man insurance.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number	% of Total
Research and Development	327	42.1
Manufacturing	206	26.5
Selling, General and Administrative	244	31.4
Total	777	100.0

As of the Latest Practicable Date, we had 678 employees in Suzhou and 99 employees in Shanghai.

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for at least two years after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, please refer to the section headed "Directors and Senior Management" in this prospectus.

Certain of our subsidiaries in China have labor unions and our employees may voluntarily join the relevant labor unions. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations.

Training and Development

We provide formal and comprehensive company-level and department-level training to our new employees, which usually takes two days, followed by on-the-job training, which takes about two months. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Given our emphasis on operating a fully-integrated platform for our drug development processes, some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

Employee Benefits

Our employees' remuneration comprises salaries, bonuses, employees provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. As of the Latest Practicable Date, we had complied with all statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws in all material aspects.

LAND AND PROPERTIES

We built our main campus on 71,104.49 m^2 of land in the Suzhou Industrial Park which we purchased in 2015. This site includes manufacturing, research, administrative and ancillary buildings with a total of 81,779.98 m^2 of floor space. This includes 45,909.64 m^2 of floor space for manufacturing facilities and 35,870.34 m^2 of floor space for laboratories, ancillary buildings and offices, some of which is reserved for future expansion. Our main campus also includes animal laboratories, water treatment facilities, warehouses for storing drugs and chemicals, and a cafeteria and other facilities for employees. Below is a photograph of our main campus in Suzhou.

We still rent 2,425 m^2 of office space in Suzhou where our Company was based before we built our main campus, and we continue to use this space for research and administrative functions. The relevant rental agreement provides a rental term that expires in November 2018. We also rent 1,893.88 m^2 of office space in Shanghai for administrative functions. The relevant rental agreement provides a rental term that expires in January 2023. In addition, we rent 980.47 m^2 of office space in Beijing for administrative functions and the rental term provided by the rental agreement expires in October 2021.

INTELLECTUAL PROPERTY

Intellectual property rights are important to the success of our business. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we own 19 issued patents and 34 patent applications in China, 1 issued patent and 7 patent applications in the United States, and 11 issued patents and 51 patent applications in the rest of the world relating to certain of our drug candidates and technologies. These patent applications include 16 pending international patent applications under the Patent Cooperation Treaty, or PCT. We have filed seven of these nationally in various jurisdictions, including the European Union, and we plan to file the other 9 nationally in the United States and other jurisdictions, as well as additional priority PCT applications. We are also pursuing additional patent protection for these drug candidates and technologies, as well as for other of our drug candidates and technologies. As of the Latest Practicable Date, in relation to our four core drug candidates in clinical trials, we own three issued Chinese patents and three pending Chinese patent applications, two pending U.S. patent applications, and four pending PCT applications, among others. The patent portfolios for our four core drug candidates and three other clinical stage drug candidates as of the Latest Practicable Date are summarized below:

Sintilimab (IBI-308). We own two pending Chinese patent applications, two pending U.S. patent applications, four pending PCT applications, and corresponding patent applications in other jurisdictions directed to sintilimab, a fully human monoclonal antibody against PD-1, and its use for the treatment of cancer. Any patents that may issue from the currently pending Chinese patent application and U.S. patent application would be expected to expire in August 2036 or January 2037, not including any patent term adjustments. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

IBI-305. We own one pending Chinese patent application directed to IBI-305, our biosimilar product candidate for bevacizumab, and its use for the treatment of cancer. Any patent that may issue from the currently pending Chinese patent application would be expected to expire in December 2034.

IBI-301. We co-own with Hubei University one issued Chinese patent directed to IBI-301, our biosimilar product candidate for rituximab. The expected expiration for the issued Chinese patent is in February 2034.

IBI-303. We own two issued Chinese patents directed to IBI-303, our biosimilar product candidate for adalimumab. The expected expiration for the issued Chinese patents is in November 2033 and December 2034.

IBI-302. We own two issued Chinese patents, two pending U.S. patent applications, two pending PCT applications and corresponding patent applications in other jurisdictions directed to IBI-302, our bi-specific antibody drug candidate for the treatment of wet AMD and solid tumors. In addition, we co-own with AP Biosciences, Inc. one issued U.S. patent, one pending U.S. patent application, one pending Chinese patent application, one pending PCT application and corresponding patent applications in other jurisdictions directed to IBI-302. Any patents that may issue from the currently pending Chinese patent applications and U.S. patent applications would be expected to expire between November 2032 and December 2035, not including any patent term adjustments. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries.

IBI-306. We own two pending Chinese patent applications and one pending PCT application, directed to IBI-306, our fully human monoclonal antibody drug candidate for the treatment of reduction of hyperlipidemia. The two patents that may be issued from the currently pending Chinese patent applications would be expected to expire in December 2036 and May 2038, respectively, not including any patent term adjustments.

IBI-310. We own three pending Chinese patent applications, directed to IBI-310, our fully human monoclonal antibody drug candidate for the treatment of a variety of cancers in combination with anti-PD-1 monoclonal antibodies, including sintilimab. Any patent that may issue from the currently pending Chinese patent applications would be expected to expire between November 2035 and March 2037, not including any patent term adjustments.

The following table summarizes the details of the granted patents and the filed patent applications owned by the Company or shared with its collaborators on our four core products and three phase 1 innovative drug candidates:

Summary of Chinese and U.S. patents and patent applications of our core product candidates and phase 1 innovative drug candidates

Product	Scope of Patent Protection	Jurisdiction	Status	Patent Expiration	Innovent's Market/ Commercial Rights	Marketing Exclusivity Terms	Eligibility for Patent Renewal/ Extension
Sintilimab	Directed to structure and its use	U.S.; China	Pending	August 2036	All rights worldwide, subject to Eli Lilly's co-promotion right in China, Hong Kong and Macau	12 years (U.S.); N/A (China)	N/A
	Directed to formulation and its use	PCT (national phase filings to be made in the U.S. and China)	Pending	July 2037			N/A
IBI-305	Directed to formulation and its use	China	Pending	December 2034	All rights worldwide	N/A	N/A
IBI-301	Directed to antibody detection method	China	Granted	February 2034	All rights worldwide, subject to Eli Lilly's co-promotion right in China, Hong Kong and Macau	N/A	N/A
IBI-303	Directed to formulation and its use	China	Granted	November 2033	All rights worldwide	N/A	N/A
IBI-306	Directed to structure and its use	PCT (national phase filings to be made in the U.S. and China)	Pending	December 2037	All rights in China, Hong Kong and Macau	12 years (U.S.); N/A (China)	N/A
	Directed to formulation and its use	China	Pending	May 2038			N/A
IBI-310	Directed to formulation and its use	China	Pending	March 2037	All rights worldwide	N/A	N/A
IBI-302	Directed to structure and its use	U.S.; China	Granted (U.S.); Pending (China)	November 2032	All rights worldwide	12 years (U.S.); N/A (China)	The term of the U.S. patent No. 9,988,611 (Application No. US14/362,109) is extended or adjusted under 35 U.S.C. 154(b) by 100 days.
	Directed to formulation and its use	U.S.; China	Pending (U.S.); Granted (China)	September 2035 (U.S.); September 2034 (China)			N/A

Abbreviations: PCT = Patent Cooperation Treaty; N/A = not applicable

As of the Latest Practicable Date, we own 11 issued Chinese utility model patents for our various innovative technologies that are utilized throughout our drug development and manufacturing process, including those related to inoculation, cell culture, chromatography and bioreactors. These utility model patents have a term of 10 years from the date of filing and are expected to expire in and after November 2025.

The term of individual patents may vary based on the countries in which they are obtained. In most countries in which we file patent applications, including China and the United States, the term of an issued patent is generally 20 years from the filing date of the earliest non-provisional patent application on which the patent is based in the applicable country. In the United States, a patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office, or USPTO, in excess of a patent applicant's own delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly-owned patent having an earlier expiration date.

In addition, with respect to any issued patents in the United States and Europe, we may be entitled to obtain an extension of the patent's term provided we meet the applicable requirements for obtaining such patent term extensions. For example, in the United States, we may apply for a patent term extension of up to five years as compensation for the patent term lost during clinical trials and the FDA regulatory review process under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The exact duration of the extension depends on the time we spend in clinical studies, as well as getting an NDA approval from the FDA. However, a patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. In certain other foreign jurisdictions, similar extensions as compensation for regulatory delays are also available.

The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned or licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secret and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisers and contractors, and invention assignment agreements with our employees. We have entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we used to employ each of our employees, contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

These agreements may not provide sufficient protection of our trade secret and/or confidential information. These agreements may also be breached, resulting in the

misappropriation of our trade secret and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secret and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "– Risk Factors – Risks Relating to Our Business – Risk Relating to Our Intellectual Property" for a description of risks related to our intellectual property.

We conduct our business under the brand name of "Innovent" ("信達"). As of the Latest Practicable Date, we had registered 59 trademarks in China and 4 trademarks in Hong Kong and filed 80 trademark applications in China and five trademark applications in other jurisdictions. We are also the registered owner of five domain names and have irrevocable licenses for four domain names.

We enter into collaboration agreements and other relationships with pharmaceutical companies and other industry participants to leverage our intellectual property and gain access to the intellectual property of others. See "– Collaboration Agreements."

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

See Appendix IV – "Statutory and General Information – Further Information about Our Business – Intellectual Property Rights" to this prospectus for further information.

ENVIRONMENTAL MATTERS AND WORKPLACE SAFETY

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees, patients and communities. We have implemented company-wide environmental, health and safety manuals, policies and standard operating procedures that include management systems and procedures relating to emissions of air, water and other media; waste water generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third party safety management; emergency planning and response; and product stewardship.

Our environmental, health and safety (EHS) department is responsible for monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed and shared by separate teams in the EHS department through training; formulation and implementation of strategies, policies, standards and metrics; communication of environmental, health and safety policies and procedures through of a team of coordinators; environmental, health and safety audits; and incident response planning and implementation with a team of volunteer first responders. We also have consultants from Eli Lilly on an as-needed basis to help us on building, maintenance and improvement of our EHS system.

Certain specialized areas of the responsibility are assigned to teams comprised of subject-matter experts with the relevant expertise and experience. For instance, our biosafety subject matter experts are responsible for biosafety training, compliance of our operations with biosafety-related legal requirements, biosafety risk assessment and review of corrective actions and preventative actions (CAPA) that we will take upon the occurrence of any biosafety emergency. We have also retained a subject matter expert from Eli Lilly as a consultant for environment, health and safety matters.

Our manufacturing facilities produce no significant waste products other than water exiting our bioreactors. We treat the waste water exiting our bioreactors at high temperatures in our biological waste disposal facilities and then treat it together with other waste water in our central waste water disposal facilities before discharging it into the city sewer system. The water that we discharge is metered and the meters are connected to the local environmental bureau to permit them to monitor the discharged water remotely.

We have not had any significant workplace accidents in the history of our Company.

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, we were not a party to any actual or threatened material legal or administrative proceedings. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

PERMITS, LICENSES AND OTHER APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations.

Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司) holds a pharmaceutical manufacturing license issued by the Jiangsu Provincial Food and Drug Administration, effective through December 31, 2020. It also holds an emission permit for certain specified pollutants issued by the Suzhou Industrial Zone Bureau of Land and Environmental Protection, effective through March 15, 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global biologics markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other pharmaceutical companies. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Financial Information – Qualitative and Quantitative Disclosure about Market Risk" for a discussion of these market risks.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

- Our audit committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

- Our chief financial officer, Mr. Ronald Hao Xi Ede, will be responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our audit committee on our material risks.

- The relevant departments in our Company, including but not limited to the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our

day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an independent internal control consultant, or the Internal Control Consultant, to perform certain agreed-upon procedures, or the Internal Control Review, in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, accounts receivable management, procurement, accounts payable and payment, fixed assets management, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, contract management, insurance management, research and development and intangible assets management. The Internal Control Consultant performed the Internal Control Review in April 2018 and a follow-up review in May 2018. As of the Latest Practicable Date, there were no material outstanding issues relating to our Group's internal control.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety. For more information, see "– Intellectual Property" and "– Environmental Matters and Workplace Safety." We provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the Listing.

- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.

- We have engaged Guotai Junan Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in this prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities and we believe we will therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry. We also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018 included in the Accountants' Report set out in Appendix I to this prospectus, together with the respective accompanying notes. Our audited consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a biopharmaceutical company with a fully-integrated platform which boasts advanced research, discovery, development, manufacturing and commercialization capabilities. These capabilities have enabled us to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other biologics in the fields of oncology, ophthalmology and autoimmune and metabolic diseases. Leveraging our platform, we have built up a pipeline of 17 antibody drug candidates in the last seven years, led by our four core products that are in late-stage clinical development in China, including sintilimab (IBI-308), our novel PD-1 antibody; IBI-305, our bevacizumab (Avastin) biosimilar; IBI-301, our rituximab (MabThera/Rituxan) biosimilar; and IBI-303, our adalimumab (Humira) biosimilar. For more information on our drug candidates, see the section headed "Business."

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in each year since inception. Our loss and total comprehensive expenses were RMB544.5 million, RMB716.1 million, RMB269.3 million and RMB57.6 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. Substantially all of our operating losses resulted from research and development expenses, administrative expenses, business development expenses and finance costs.

We expect to incur significant expenses and operating losses for at least the next several years as we further our pre-clinical research and development efforts, continue the clinical development of, and seek regulatory approval for, our drug candidates, launch commercialization of our pipeline products, and add personnel necessary to operate the fully-integrated platform with an advanced clinical candidate pipeline of products. Subsequent to the Listing we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate semi-annually and yearly due to the status of the development of our drug candidates, our efforts to obtain regulatory approval and commercialize our drug candidates.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 28, 2011. Our Company, as the holding company of our business, indirectly owns Innovent Suzhou and Innovent Technology, which run all of our operations in China. See the section headed "History, Development and Corporate Structure" for more details. Our consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Intercompany transactions, balances and unrealized gains/losses on transactions between Group companies are eliminated on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the year-to-year comparability of our financial results are principally affected by the following factors:

Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates. We have a rich pipeline of drug candidates including six drug candidates in clinical development, four in IND stage and seven in pre-clinical development. Although we currently have no products approved for commercial sale and have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years as they move toward the final stages of development. Sintilimab (IBI-308), our novel PD-1 antibody, is our drug candidate closest to commercialization. See the section headed "Business" for more information on the development status of our various drug candidates.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses, administrative expenses, business development expenses and finance costs.

Research and development activities are central to our business model. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our research and development expenses accounted for 77.6%, 80.8%, 78.8% and 73.8% of our total expenses and costs, respectively. Our research and development expenses primarily consist of:

- third-party contracting costs incurred under agreements with consultants, contract research organizations, or CROs, and clinical trial sites that conduct research and development activities on our behalf;

- costs associated with purchasing raw materials for research and development of our drug candidates;

- employee salaries and related benefit costs, including share-based compensation expenses, for research and development personnel;

- payment of license fees pursuant to collaboration agreements and/or license agreements; and

- expenses associated with inspection and maintenance of facilities, depreciation and amortization expenses, travel expenses, insurance, utilities and other supplies used in research and development activities.

Our current research and development activities mainly relate to the clinical advancement of our 17 drug candidates, including six drug candidates in clinical development, four in IND stage and seven in pre-clinical development. We expect our research and development expenses to increase significantly for the foreseeable future, as we move these drug candidates into additional clinical trials, including potential registration trials, and as we continue to support the clinical trials of our drug candidates as treatments for additional indications.

Our administrative expenses consist primarily of salaries and related benefit costs, including share-based compensation expenses, for administrative personnel. Other administrative expenses include professional fees for legal, consulting, auditing and tax services as well as other direct and allocated expenses for rent and maintenance of facilities, travel costs, insurance and other supplies used in administrative activities. We also expect our administrative expenses to increase in future periods to support our drug and development efforts and support any commercialization activities with respect to our product candidates, if approved. These cost increases will likely be due to increased headcount, increased employee salaries and benefits, expanded infrastructure and increased costs for insurance. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

In addition to the research and development expenses and administrative expenses, we also anticipate that our business development expenses will increase and therefore our cost structure will evolve as we prepare for the commercialization of our drug candidates. For the year ended December 31, 2016 and 2017 and the six months ended June 30, 2018, our business development expenses consist of salaries and other expenses such as benefits, travel and share-based compensation expenses for business development personnel.

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we did not incur any sales and marketing costs. We are in the process of finalizing our sales and marketing strategy and expect to establish a sales and marketing team by end of 2018.

Funding for Our Operations

During the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we funded our operations primarily through bank loans and equity financing. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sale of our commercialized drug products. However, with the continuing expansion of our business we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in our ability to fund our operations will impact our cash flow plan and our results of operations.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies and estimates are summarized below. See note 4 and note 5 to the Accountants' Report set out in Appendix I for a description of our significant accounting policies.

Revenue Recognition and Contract Liabilities

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. We recognize revenue when it transfers control of a product or service to a customer.

Research and Development Service Fee Income

During the Track Record Period, we primarily earn revenues by providing research services to our customers through fee-for-service contracts.

Upfront payments received by us are initially recognized as a contract liability. Services revenue is recognized as a performance obligation satisfied over time based on the stage of completion of a contract. We use cost incurred to date as an input method to measure progress towards complete satisfaction of these performance obligations under IFRS 15.

Development milestone revenue is recognized when we can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of such revenue. With respect to payment for services that are not due from customers until the development milestones are completed, a contract asset is recognized over the period in which such services are performed.

License Fee Income

We license our patented intellectual property or right to commercialize our products to customers. The consideration for licensing consists of a fixed element (the upfront payment) and variable elements (including, but not limited to, development milestones and sales-based royalties). The upfront fee is recognized as revenue when customers have the ability to use the underlying intellectual property of the licence. Development milestones are recognized as revenue when we conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of such revenue. Sales-based royalties are not recognized until a customer starts selling products that are manufactured by using the licensed intellectual property or the right to commercialization.

Research and Development Expenses

Research and development expenses incurred on our drug candidate pipelines are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete such intangible asset and our ability to use or sell such intangible asset, that such intangible asset will generate future economic benefits, the availability of resources to complete the pipeline and our ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each research and development project and determine whether the criteria are met for capitalization. During the Track Record Period, all research and development expenses are expensed when incurred.

Equity-settled Share-based Payment Transactions

Equity-settled share-based payment to employees (including directors of the Company) are measured at the fair value of the equity instruments as of the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in the share-based payment reserve. At the end of each reporting period, we review our estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognized in the share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the share options reserve will be transferred to accumulated losses.

Early Application of IFRS 9 and IFRS 15

IFRS 9 "Financial Instruments"

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 our financial position and performance as compared to the requirements of IAS 39, specifically because:

(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.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for the first interim period within annual reporting periods beginning on or after January 1, 2018 and we have early applied IFRS 15 to our financial statements, which has been applied consistently in the Track Record Period.

We have assessed the effects of the early adoption of IFRS 15 on our financial statements as compared to the requirements of IAS 18 and summarized as follows:

(1) Advances from customers of RMB292.2 million, RMB349.7 million and RMB443.4 million as of December 31, 2016 and 2017 and June 30, 2018, respectively, under IAS 18, were classified as contract liabilities under IFRS 15.

(2) Unbilled revenue of nil, nil and RMB3.5 million as of December 31, 2016 and 2017 and June 30, 2018, respectively, under IAS 18, were recognized as contract assets under IFRS 15.

(3) In accordance with IFRS 15, a promised amount of consideration is adjusted for the effects of the time value of money, if the timing of payments agreed by the parties to the contract provides the entity with a significant benefit of financing the transfer of goods or services to the customer. In such circumstances, the contract is considered to contain a significant financing component under IFRS 15, irrespective of whether the promise of financing is stated explicitly in the contract or implied by the payment terms agreed by the parties to the contract. As a result, interest expenses in the amount of RMB27.3 million, RMB32.3 million and RMB20.5 million were recognized for the years ended December 31, 2016 and 2017 and for the six months ended June 30, 2018, respectively, which resulted in an increase of interest expenses and contract liabilities as compared with IAS 18.

(4) We also applied the input method in estimating the performance obligations satisfied under IFRS 15 in relation to the research and development service, which would not cause a material impact on revenue recognized during the Track Record Period as compared with IAS 18.

Based on the above, we concluded that there was no significant impact of the early adoption of IFRS 15, as compared with IAS 18, on our net consolidated financial position and performance during the Track Record Period, except that the increase of interest expenses and contract liabilities resulted from the early adoption of IFRS 15 had a significant impact on our performance for the six months ended June 30, 2018 as compared to our loss and total comprehensive expenses for the same period.

DISCUSSION OF CERTAIN KEY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the six months ended June 30, 2018 and 2017, and the years ended December 31, 2017 and 2016, respectively:

	Six Months Ended June 30,		Change		Year Ended December 31,		Change	
	2018	2017	RMB	%	2017	2016	RMB	%
	(RMB in thousands)							
Revenue	4,436	10,000	(5,564)	(55.6)	18,538	–	18,538	–
Other income	7,892	4,534	3,358	74.1	64,406	33,307	31,099	93.4
Other gains and losses	498,966	2,181	496,785	22,777.9	(42,079)	(81,931)	39,852	(48.6)
Expenses								
Research and development expenses	(420,040)	(225,386)	(194,654)	86.4	(611,922)	(384,653)	(227,269)	59.1
Administrative expenses	(73,108)	(29,152)	(43,956)	150.8	(79,490)	(52,875)	(26,615)	50.3
Business development expenses	(10,094)	(3,067)	(7,027)	229.1	(8,278)	(4,505)	(3,773)	83.8
Listing expenses	(32,740)	–	(32,740)	–	–	–	–	–
Finance costs	(32,908)	(28,388)	(4,520)	15.9	(57,225)	(53,799)	(3,426)	6.4
Total expenses and costs	(568,890)	(285,993)	(282,897)	98.9	(756,915)	(495,832)	(261,083)	52.7
Loss and total comprehensive expenses for the year	**(57,596)**	**(269,278)**	**211,682**	**(78.6)**	**(716,050)**	**(544,456)**	**(171,594)**	**31.5**

Revenue

All of our revenue in 2017 and the six months ended 2018 and 2017, respectively, was generated from the license fee paid by and research and development services we provided to a biopharmaceutical company in China. Our revenue from license fee income and research and development service fee income increased from zero and zero for the year ended December 31, 2016 to RMB10.0 million and RMB8.5 million, respectively, for the year ended December 31, 2017. The increase was primarily attributable to license fee recognition in connection with the licensing of our patented technology to such customer in the first half of 2017 with respect to an early-stage drug candidate that we discontinued to develop as a pipeline product candidate, and research and development revenue recognition in connection with provision of certain manufacturing and validation services to such customer in 2017 for production of samples for drug development and regulatory filings. Revenue decreased by RMB5.6 million to RMB4.4 million for the six months ended June 30, 2018, from RMB10.0 million for the six months ended June 30, 2017, because we recorded a one-off license fee income in the first half of 2017 as explained above.

The following table summarizes the components of our revenue for the six months ended June 30, 2018 and 2017 and for the year ended December 31, 2017 and 2016, respectively:

	Six Months Ended June 30,		Change		Year Ended December 31,		Changes	
	2018	*2017*	*RMB*	*%*	*2017*	*2016*	*RMB*	*%*
	(RMB in thousands)							
License fee income	–	10,000	(10,000)	(100.0)	10,000	–	10,000	–
Research and development service fee income	4,436	–	4,436	–	8,538	–	8,538	–
Total	**4,436**	**10,000**	**(5,564)**	**(55.6)**	**18,538**	**–**	**18,538**	**–**

Other Income

Other income consists of bank interest income and government grants income.

Bank Interest Income

Bank interest income increased by RMB3.5 million to RMB8.0 million for the year ended December 31, 2017, from RMB4.5 million for the year ended December 31, 2016. The increase in bank interest income was primarily attributable to an increase in cash balance close to the end of 2016 as a result of the deposit of the proceeds from the Series D equity financing, which led to a higher average cash balance in 2017 compared to 2016. Bank interest income increased by RMB2.2 million to RMB6.1 million for the six months ended June 30, 2018, from RMB3.9 million for the six months ended June 30, 2017, primarily attributable to the interest income earned on the proceeds of our series E financing in the first half of 2018.

Government Grants Income

Government grants consist of (i) government subsidies specifically for the capital expenditure related to the purchase of plant and machinery, which is recognized over the useful life of related assets, and (ii) incentive and other subsidies for research and development activities and interest subsidies, which are recognized upon the fulfillment of certain conditions set by the government.

Some of the government grants we received related to costs expected to be incurred in the future and were revocable if we failed to satisfy the conditions specified under such government grants. These government grants were recognized as income upon the satisfaction of such conditions.

Other government grants related to income receivables as compensation for our expenses or losses historically incurred or aimed to provide immediate financial support to us which does not directly relate to our costs to be incurred in the future. Such government grants were recognized as income in the periods in which they became receivables.

The government grants income increased by RMB27.6 million to RMB56.4 million for the year ended December 31, 2017, from RMB28.8 million for the year ended December 31, 2016. The government grants income increased by RMB1.1 million to RMB1.8 million for the six months ended June 30, 2018, from RMB0.7 million for the six months ended June 30, 2017. The increases in government grants income were primarily attributable to more research and development activities that are eligible for government subsidies.

Other Gains and Losses

Other gains and losses consist of unrealized gains and losses related to (i) fair value changes of wealth management plans (financial assets mandatorily measured at fair value through profit and loss), (ii) fair value changes of other financial liabilities measured at fair value through profit and loss, and (iii) changes in foreign currency exchange rates.

Our financial assets mandatorily measured at fair value through profit and loss primarily consist of wealth management plans managed by major state-owned commercial banks in China. Gain on fair value changes of financial assets mandatorily measured at fair value increased by RMB20.2 million to RMB38.2 million for the year ended December 31, 2017, from RMB18.0 million for the year ended December 31, 2016. The increase in gain on fair value changes of financial assets mandatorily measured at fair value through profit and loss was primarily attributable to the return we received on the wealth management plans we purchased in 2017 by using a portion of the proceeds from the Series D equity financing. Gain on fair value changes of financial assets mandatorily measured at fair value decreased by RMB7.7 million to RMB2.4 million for the six months ended June 30, 2018, from RMB10.1 million for the six months ended June 30, 2017, primarily due to maturity of certain wealth management products that we previously purchased.

Loss on fair value changes of other financial liabilities measured at fair value through profit and loss decreased by RMB72.2 million to RMB51.0 million for the year ended December 31, 2017, from RMB123.2 million for the year ended December 31, 2016. The decrease was primarily attributable to the fair value adjustment we made to the outstanding convertible redeemable preferred shares. We recorded a gain of RMB448.8 million on fair value changes of other financial liabilities measured at fair value through profit and loss for the six months ended June 30, 2018, as compared to a loss of RMB0.8 million on fair value changes of other financial liabilities measured at fair value through profit and loss for the six months ended June 30, 2017. The gain was primarily due to the decrease in the fair value of our series D preferred shares resulted from the new issuance of series E preferred shares in the first half of 2018. Series E preferred shares replaced series D preferred shares to have the highest liquidation preference relative to all the preferred shares issued in previous financing rounds. Lowering liquidation preference led to a downward adjustment on the fair value for

series D preferred shares, which was recognized as a gain to the Company. Such gain was partially offset by an upward adjustment on the fair value of series D preferred shares resulted from a share premium contributed by the issuance of series E preferred shares, which represents the excess of the issue price for series E preferred shares over the fair value for series D preferred shares at the issue date of Series E preferred shares. However, such excess of issue price was relatively limited and, as a result, such upward adjustment in the fair value of series D preferred shares was less than the downward adjustment resulting from their lowered liquidation preference, leading to a decrease in the fair value of series D preferred shares and a gain on fair value change in respect of our other financial liabilities.

We had a net foreign exchange gain of RMB23.3 million for the year ended December 31, 2016 and had a net foreign exchange loss of RMB29.3 million for the year ended December 31, 2017. The foreign exchange loss in 2017 was primarily attributable to the impact of depreciation of USD on our funds that are denominated in USD. We recorded a net foreign exchange gain of RMB51.2 million for the six months ended June 30, 2018, as compared to a net foreign exchange loss of RMB7.1 million for the six months ended June 30, 2017. The net foreign exchange gain for the six months ended June 30, 2018 was primarily attributable to the impact of depreciation of RMB against USD on our funds that are denominated in USD.

Research and Development Expense

Research and development expense increased by RMB227.2 million, or 59.1%, to RMB611.9 million for the year ended December 31, 2017, from RMB384.7 million for the year ended December 31, 2016. Research and development expenses increased by RMB194.6 million, or 86.4%, to RMB420.0 million for the six months ended June 30, 2018, from RMB225.4 million for the six months ended June 30, 2017. The increases were primarily attributable to more expenses incurred as a result of some of our drug candidates' transition into more advanced clinical stages and additional clinical programs including, without limitation, expenses spent on purchase of raw materials, third party contracting costs, including engagement of CROs, and salaries of research and development personnel. The following table summarizes the components of our research and development expense for the six months ended June 30, 2018 and 2017 and for the year ended December 31, 2017 and 2016:

	Six Months Ended June 30,		Change		Year Ended December 31,		Changes	
	2018	2017	RMB	%	2017	2016	RMB	%
	(RMB in thousands)							
Third-party Contracting Costs	173,060	58,173	114,887	197.5	215,479	90,435	125,044	138.3
Raw Material	114,509	67,781	46,728	68.9	168,934	124,916	44,018	35.2
Staff Costs	68,331	39,736	28,595	72.0	84,495	51,388	33,107	64.4
Depreciation and Amortization	29,593	28,937	656	2.3	59,723	54,595	5,128	9.4
License Fee	1,695	16,936	(15,241)	(90.0)	40,731	35,300	5,431	15.4
Other	32,852	13,823	19,029	137.7	42,560	28,019	14,541	51.9
Total research and development expenses	**420,040**	**225,386**	**194,654**	**86.4**	**611,922**	**384,653**	**227,269**	**59.1**

In 2017, the research and development expenses that were spent on third-party contracting costs, purchasing raw materials, salary expenses incurred in connection with research and development personnel and depreciation and amortization of the property, plant and equipment constituted approximately 35.2%, 27.6%, 13.8% and 9.8% of the total research and development expenses, respectively, compared with 23.5%, 32.5%, 13.4% and 14.2% for 2016, respectively. Such percentages were 41.2%, 27.3%, 16.3% and 7.0% for the six months ended June 30, 2018, respectively, as compared to 25.8%, 30.1%, 17.6% and 12.8% for the six months ended June 30, 2017, respectively.

Administrative Expense

Administrative expense increased by RMB26.6 million, or 50.3%, to RMB79.5 million for the year ended December 31, 2017, from RMB52.9 million for the year ended December 31, 2016. The increase was primarily attributable to the following:

- RMB18.9 million increase of share-based compensation expense, primarily attributable to the increase in the number of options and restricted shares granted to directors and employees; and

- RMB4.1 million increase of employee salary and benefits, which was primarily attributable to our increased headcount.

Administrative expenses increased by RMB43.9 million, or 150.3%, to RMB73.1 million for the six months ended June 30, 2018, from RMB29.2 million for the six months ended June 30, 2017.

The increase was primarily attributable to the following:

- RMB21.4 million increase of share-based compensation expense, which was primarily attributable to the increase in the number of options and restricted shares granted to directors and employees;

- RMB8.0 million increase of employee salary and benefits, which was primarily attributable to our business expansion; and

- RMB6.5 million increase of recruiting costs, which was primarily due to our intensified recruitment efforts in response to our business development needs.

Business Development Expense

Business development expenses consist of salaries and other expenses such as benefits, travel and share-based compensation expenses for business development personnel.

Business development expense increased by RMB3.8 million, or 84.4%, to RMB8.3 million for the year ended December 31, 2017, from RMB4.5 million for the year ended December 31, 2016. Business development expense increased by RMB7.0 million, or 225.8%, to RMB10.1 million for the six months ended June 30, 2018, from RMB3.1 million for the six months ended June 30, 2017. The increases were primarily attributable to the increase in headcount in business development department and salaries paid to business development personnel.

Finance Costs

Finance costs include interest on our bank borrowings and interest arising from a contract containing a significant financing component.

The stated amount of the consideration under such contract is adjusted based on the time value of such consideration if the timing of the payment of such consideration could be considered as providing us with a significant benefit similar to a financing provided by the customer under such contract.

Interest arising from a contract containing a significant financing component increased by RMB5.0 million to RMB32.3 million for the year ended December 31, 2017, from RMB27.3 million for the year ended December 31, 2016. Interest arising from a contract containing a significant financing component increased by RMB4.4 million, to RMB20.5 million for the six months ended June 30, 2018, from RMB16.1 million for the six months ended June 30, 2017. The increases were primarily attributable to the increase in the average balance of the payments that we have received in advance in connection with the commercialization license from Eli Lilly so far pursuant to the Lilly China Agreement.

Income Tax Expense

For the six months ended June 30, 2018 and 2017 and the years ended December 31, 2016 and 2017, we had no taxable income and therefore we had no income tax expenses. See note 13 to the Accountants' Report set out in Appendix I.

TAXATION

Cayman Islands

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax in the Cayman Islands.

Hong Kong

Innovent HK is subject to Hong Kong profit tax at a rate of 16.5% for the years of assessment 2015/2016, 2016/2017 and 2017/2018. Commencing from the year of assessment 2018/2019, the first HK$2 million of profits earned by Innovent HK will be taxed at half the current tax rate (i.e., 8.25%) whilst the remaining profits will continue to be taxed at the existing 16.5% tax rate. Hong Kong does not impose a withholding tax on dividends.

China

Generally, our subsidiaries in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except that Innovent Suzhou benefits from a preferential tax rate of 15% as it is qualified as a "High and New Technology Enterprise" in Jiangsu Province. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. The related tax authorities in Jiangsu Provision reviews the "High and New Technology Enterprise" status every three years. We expect Innovent Suzhou to continue to qualify as a "High and New Technology Enterprise" in Jiangsu Province for the foreseeable future.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I:

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousands)		
Total current assets	3,837,595	1,445,755	1,870,750
Total non-current assets	1,056,179	1,011,461	945,050
Total assets	**4,893,774**	**2,457,216**	**2,815,800**
Total current liabilities	1,770,182	163,276	76,199
Total non-current liabilities	4,697,467	3,916,068	3,697,819
Total liabilities	**6,467,649**	**4,079,344**	**3,774,018**
Share Capital	14	8	6
Reserves	(1,573,889)	(1,942,556)	(1,383,930)
Non-controlling interests	–	320,420	425,706
(Deficiency of) total equity	**(1,573,875)**	**(1,622,128)**	**(958,218)**

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of August 31, 2018 (Unaudited)	As of June 30, 2018	As of December 31, 2017	2016
		(RMB in thousands)		
Current assets				
Inventories	52,127	48,980	57,722	36,631
Deposits, prepayments and other receivables	144,551	1,702,075	53,762	23,756
Income tax recoverables	13,649	13,233	13,068	13,874
Other financial assets	131,295	181,408	809,484	782,250
Prepaid lease payments	1,248	1,248	1,248	1,248
Contract assets	4,601	3,537	–	–
Bank balances and cash	1,773,539	1,887,114	510,471	1,012,991
Total current assets	**2,121,010**	**3,837,595**	**1,445,755**	**1,870,750**
Current liabilities				
Trade payables	48,576	36,639	34,836	21,198
Other payables and accrued expenses	224,219	1,723,543	122,540	55,001
Contract liabilities	–	–	900	–
Borrowings	10,000	10,000	5,000	–
Total current liabilities	**282,795**	**1,770,182**	**163,276**	**76,199**
Total net current assets	**1,838,215**	**2,067,413**	**1,282,479**	**1,794,551**

Inventories

Our inventories primarily consist of raw materials acquired for use in development activities and for the production of trial batches in the research and development stage of our drug candidates. Our inventories increased by RMB21.1 million to RMB57.7 million as of December 31, 2017 from RMB36.6 million as of December 31, 2016. The increase in inventories was primarily attributable to purchase of more raw materials due to the increased need in our clinical trials in 2017. Our inventories decreased by RMB8.7 million, to RMB49.0 million as of June 30, 2018, from RMB57.7 million as of December 31, 2017, primarily due to our increased consumption of inventories due to an increase in clinical trials in the first half of 2018. Subsequent to June 30, 2018, inventories in the amount of approximately RMB35.0 million, which accounted for 71.5% of our inventories as of June 30, 2018, have been consumed as of August 31, 2018.

Deposits, prepayments and other receivables

The following table sets forth our deposits, prepayments and other receivables as of the dates indicated:

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousands)		
Rental deposits	2,213	2,123	688
Prepayments	20,007	15,276	21,610
Other receivables	6,293	7,270	1,458
Subscription receivables for restricted shares	29,043	28,684	7,393
Receivables due from directors and an employee	71,871	409	409
Subscription receivables for preferred shares	1,504,033	–	–
Other loans	21,093	–	–
Deferred issue costs	6,329	–	–
Other tax recoverables	160,965	135,533	93,073
Total	**1,821,847**	**189,295**	**124,631**

The rental deposits increased by RMB1.4 million to RMB2.1 million as of December 31, 2017 from RMB0.7 million as of December 31, 2016. The rental deposits increased slightly by RMB0.1 million to RMB2.2 million as of June 30, 2018, from RMB2.1 million as of December 31, 2017. The increases were primarily attributable to the rental deposits we made in connection with the non-cancellable operating leases in respect of our office premises in Shanghai.

The prepayments primarily consist of prepayments made in connection with purchase of raw materials and services provided by CROs and hospitals. The prepayments decreased by RMB6.3 million to RMB15.3 million as of December 31, 2017 from RMB21.6 million as of December 31, 2016. The prepayments increased slightly by RMB4.7 million to RMB20.0 million as of June 30, 2018, from RMB15.3 million as of December 31, 2017.

We recorded subscription receivables for restricted shares due to issuance of restricted shares under our Pre-IPO Share Incentive Plan. Subscription receivables for restricted shares increased by RMB21.3 million to RMB28.7 million as of December 31, 2017 from RMB7.4 million as of December 31, 2016, and further increased to RMB29.0 million as of June 30, 2018. The increases were primarily attributable to the subscription amount owed by Dr. Yu in connection with the restricted shares issued to him in 2017. Dr. Yu has not paid us the subscription price of these restricted shares and it is expected that such amount owed by Dr. Yu will be settled prior to the consummation of the Global Offering.

RMB0.4 million of receivables due from directors as of December 31, 2016 and 2017 represents the subscription receivables for share options due from Dr. Yu. RMB71.9 million of receivables due from directors and an employee as of June 30, 2018 represents the amounts of the exercise price and other costs payable by the directors and an employee who have accelerated their options. It is expected that such amount owed by our directors and an employee will be settled prior to the consummation of the Global Offering.

We recorded subscription receivables for preferred shares of RMB1,504.0 million as of June 30, 2018, relating to the preferred shares issued to certain onshore PRC investors. As of August 31, 2018, such subscription receivables related to preferred shares have been fully paid, leading to the significant decrease of our deposit, prepayment and other receivables from June 30, 2018 to August 31, 2018. We also recorded other loans of RMB21.1 million as of June 30, 2018, which include loans provided to certain employees for financing their payment on exercising the share options and individual income tax.

We recorded capitalized listing expenses as deferred issue costs. We recorded RMB6.3 million of deferred issue costs as of June 30, 2018.

Other tax recoverables are VAT recoverables. As we have not commercialized any of our drug candidates, the VAT recoverables primarily related to the VAT we paid for machines and equipment, goods and services we purchased which are expected to offset any VAT incurred once we start selling the drugs after their commercialization. We are able to carry the VAT recoverables forward for an infinite period of time.

Other Financial Assets

Our financial assets mandatorily measured at fair value through profit and loss primarily consist of wealth management plans managed by major state-owned commercial banks in China. Such wealth management plans come with an anticipated return rate ranging from 2.3% to 5.1% and mature within one year. As of June 30, 2018, more than 70% of such wealth management plans guarantee repayment of principal. We believe that purchase of these wealth management plans is in line with our treasury functions and are not speculative in nature.

Other financial assets increased by RMB27.2 million to RMB809.5 million as of December 31, 2017 from RMB782.3 million as of December 31, 2016. The increase was primarily attributable to purchase of additional wealth management plans by using a portion of the proceeds from our Series D equity financing. Other financial assets decreased by RMB628.1 million to RMB181.4 million as of June 30, 2018, from RMB809.5 million as of December 31, 2017, primarily due to reduced purchases of wealth management products based on our adjusted cash management policy. We have a risk management policy and internal control procedures and guidelines in place which we believe are effective in identifying the risks associated with investing in wealth management plans, including those that do not guarantee repayment of principal, and we have strictly adhered to such policies and guidelines.

Contract Assets

A contract asset is recognized over the period in which research and development services are performed and represents our right to consideration for the services transferred to a customer to date. A contract asset is reclassified as trade receivables at the point when it is invoiced to the customer. We did not recognize any contract assets as of December 31, 2016 and 2017, and we recognized contract assets of RMB3.5 million as of June 30, 2018 from our research and development contract with a biopharmaceutical company in China. As of August 31, 2018, none of these contract assets has been billed to customers subsequent to June 30, 2018 and we expect to fulfill the performance obligations and receive milestone payment in late September 2018.

Trade Payables

The trade payables arise from our purchase of raw materials and third-party contracting services. The trade payables increased by RMB13.6 million to RMB34.8 million as of December 31, 2017 from RMB21.2 million as of December 31, 2016. Trade payables increased by RMB1.8 million to RMB36.6 million as of June 30, 2018, from RMB34.8 million as of December 31, 2017. The increases were primarily attributable to more service fees payable to our third party service providers. Our credit terms on trade payables were up to 60 days. The average days payable outstanding in 2016 and 2017 are 24 days and 25 days, respectively. We have not been delinquent in repayment of our trade payables.

Set forth below is the ageing analysis of our trade payables as of the dates indicated:

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousands)		
0-30 days	34,704	33,853	20,311
31-60 days	849	556	664
Over 60 days	1,086	427	223
Total	**36,639**	**34,836**	**21,198**

Other Payables and Accrued Expenses

Our other payables primarily consisted of payroll payables to our staff and payables in respect to acquisition of property, plant and equipment. Our accrued expenses primarily consisted of accrued research and development expenses. The following table sets forth the components of our other payables and accrued expenses.

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousands)		
Accrued expenses			
Research and development	97,561	77,115	11,090
Legal and professional fee	8,136	1,485	289
Issue costs and listing expenses	34,412	–	–
Others	6,014	5,955	3,588
Subtotal of accrued expenses	**146,123**	**84,555**	**14,967**
Interest payables	795	748	681
Other payables[(1)]	11,763	7,192	4,516
Other tax payable	26,504	1,082	2,398
Payables in respect of acquisition of property, plant and equipment	8,657	8,854	6,970
Staff payroll payables	25,668	20,109	12,960
Consideration payable for acquiring non-controlling interest of a subsidiary	1,504,033	–	–
Government grants	–	–	12,509
Total	**1,723,543**	**122,540**	**55,001**

(1) Other payables primarily consist of payables to utility suppliers and general administrative service providers.

Our other payables and accrued expenses increased by RMB67.5 million from RMB55.0 million as of December 31, 2016 to RMB122.5 million as of December 31, 2017. The increase was primarily attributable to the increase in research and development expenses, the increase in payables relating to the construction of our manufacturing facility, and the increase in payroll payables as our headcount expanded in line with our overall business expansion. Our other payables and accrued expenses increased by RMB1,601.0 million to RMB1,723.5 million as of June 30, 2018, from RMB122.5 million as of December 31, 2017, primarily due to a RMB1,504.0 million of consideration payable for acquiring non-controlling interest of a subsidiary as part of our restructuring process. As of August 31, 2018, we have fully paid such consideration payable and acquired non-controlling interest of the subsidiary, leading to the significant decrease of our other payables and accrued expenses from June 30, 2018 to August 31, 2018.

Contract Liabilities

Contract liabilities include (i) payments we have received in advance in connection with our research and development services and (ii) payments we have received in advance in connection with the license to commercialize.

Contract liabilities arise when the payment we received from a customer in connection with the research and development services we provide to such customer exceeds the revenue recognized to date under the cost-based input method.

Payments we received in advance in connection with the commercialization license will be recognized as revenue over the commercialization period. With respect to the Lilly China Agreement, the commercialization period is expected to commence beginning 2019.

The contract liabilities relating to amounts we received in advance in connection with research and development services increased to RMB0.9 million as of December 31, 2017 from zero as of December 31, 2016 which was primarily attributable to the payment we received for the research and development services we provided to a biopharmaceutical company in China. In the first half of 2018, we provided services to settle the previous balance and recognized RMB0.9 million as our revenue for the six months ended June 30, 2018. As of June 30, 2018, we did not have any contract liabilities relating to amounts received in advance of delivery for research and development services.

The contract liabilities relating to amounts we received in advance in connection with the license to commercialize increased by RMB56.6 million to RMB348.8 million as of December 31, 2017 from RMB292.2 million as of December 31, 2016. The contract liabilities relating to amounts we received in advance in connection with the license to commercialize increased by RMB94.6 million to RMB443.4 million as of June 30, 2018, from RMB348.8 million as of December 31, 2017. The increase was primarily attributable to (i) the payments we received from Eli Lilly in 2017 and the first half of 2018 pursuant to the Lilly China Agreement and (ii) the interest arising from the aggregate balance of the payments we have received from Eli Lilly representing the financing component of the contract with Eli Lilly. See the section headed "Business – Collaboration Agreements – Collaboration with Eli Lilly" for more information about the Lilly China Agreement.

KEY FINANCIAL RATIOS

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

	As of June 30, 2018	As of December 31, 2017	2016
Current Ratio[(1)]	2.2	8.9	24.6
Quick Ratio[(2)]	2.1	8.5	24.1
Gearing Ratio[(3)]	NM[(4)]	NM[(4)]	NM[(4)]

Notes:

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

(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.

(3) Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents divided by (deficiency of) total equity and multiplied by 100%.

(4) Gearing ratio is not meaningful as our (deficiency of) total equity was negative as of December 31, 2016, December 31, 2017 and June 30, 2018.

See "– Discussion of Certain Key Statement of Profit or Loss and Other Comprehensive Income Items" in this section for a discussion of the factors affecting our results of operations during the respective periods.

LIQUIDITY AND CAPITAL RESOURCES

Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of borrowings and, from time to time, evaluate the options to renew the borrowings upon expiry based on our actual business requirement. We rely on bank borrowings and equity financing as the major sources of liquidity.

Since inception, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our research and development expenses and administrative expenses associated with our operations. Our operating activities used RMB363.0 million, RMB492.3 million and RMB342.5 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, respectively.

As of June 30, 2018, we had cash and cash equivalents and other financial assets of RMB2,068.5 million.

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

	Six Months Ended June 30,		Year Ended December 31,	
	2018	2017	2017	2016
	(RMB in thousands) (unaudited)			
Net cash used in operating activities	(342,525)	(248,003)	(492,270)	(362,993)
Net cash from (used in) investing activities	525,053	(508,903)	(349,456)	(572,079)
Net cash from financing activities	1,119,893	91,861	89,406	1,639,605
Net increase (decrease) in cash and cash equivalents	1,302,421	(665,045)	(752,320)	704,533

Use of Funds

Our primary use of our cash and cash equivalents and other financial assets in all periods presented was for our research and development activities and related supporting administrative costs.

Operating Activities

During the six months ended June 30, 2018, operating activities used RMB342.5 million of cash, which resulted principally from our net loss of RMB57.6 million, adjusting for non-cash gains of RMB432.5 million, interest on bank borrowings of RMB12.4 million, interest of RMB20.5 million arising from a contract which contains significant financing component and working capital changes of RMB114.7 million. Our net non-cash gains during the six months ended June 30, 2018 primarily consisted of RMB448.8 million gain on fair value changes of other financial liabilities measured at fair value through profit or loss and RMB51.2 million net foreign exchange gain.

During the year ended December 31, 2017, operating activities used RMB492.3 million of cash, which resulted principally from our net loss of RMB716.1 million, adjusting for non-cash charges of RMB123.4 million, interest on bank borrowings of RMB24.9 million, interest arising from a contract containing a significant financing component of RMB32.3 million, and working capital changes of RMB43.2 million. Our net non-cash charges during the year ended December 31, 2017 primarily consisted of depreciation of property, plant and equipment of RMB59.9 million, unrealized exchange loss of RMB29.3 million, shared-based payment expenses of RMB29.3 million and loss on fair value changes of other financial liabilities measured at fair value through profit or loss of RMB51.0 million, partially offset by gain on fair value through profit or loss changes of wealth management plans (financial assets mandatorily measured at fair value) of RMB38.2 million.

During the year ended December 31, 2016, operating activities used RMB363.0 million of cash, which resulted principally from our net loss of RMB544.5 million, adjusting for non-cash charges of RMB139.5 million, interest on bank loans of RMB26.5 million, interest arising from a contract containing significant financing component of RMB27.3 million, and working capital changes of RMB11.9 million. Our net non-cash charges during the year ended December 31, 2016 primarily consisted of depreciation of property, plant and equipment of RMB53.3 million and loss on fair value changes of other financial liabilities measured at fair value through profit or loss of RMB123.2 million, partially offset by unrealized exchange gain of RMB23.3 million and gain on fair value changes of wealth management plans (financial assets mandatorily measured at fair value) of RMB18.0 million.

Investing Activities

Net cash from investing activities was RMB525.1 million for the six months ended June 30, 2018. The net cash increase was primarily attributable to RMB960.4 million of proceeds from release of other financial assets and RMB260.5 million from release of term deposits with maturity dates over three months, partially offset by RMB330.0 million for purchase of other financial assets and RMB286.4 million for placement of term deposits.

Net cash used in investing activities was RMB349.5 million for the year ended December 31, 2017. The net cash decrease was primarily attributable to RMB326.7 million for placement of term deposits with maturity dates over three months, RMB91.0 million for purchase of property, plant and equipment and RMB790.0 million for purchase of wealth management plans, partially offset by RMB801.0 million of proceeds we received from those wealth management plans that matured in 2017.

Net cash used in investing activities was RMB572.1 million for the year ended December 31, 2016. The net cash decrease was primarily attributable to RMB50.0 million for placement of term deposits with maturity dates over three months, RMB58.4 million for purchase of property, plant and equipment and RMB767.0 million for purchase of wealth management plans, partially offset by RMB290.1 million of proceeds we received from those wealth management plans that matured in 2016.

Financing Activities

Net cash provided by financing activities was RMB1,119.9 million for the six months ended June 30, 2018, primarily consisting of RMB947.8 million of proceeds from the issue of our preferred shares and RMB187.0 million of new borrowings.

Net cash provided by financing activities was RMB89.4 million for the year ended December 31, 2017 and primarily consisted of RMB104.2 million from the proceeds of the capital contribution by PRC onshore investors to Innovent Suzhou as part of our series D equity financing and RMB10.0 million from a draw we made under the loan facility we entered into in 2017, partially offset by RMB24.8 million on interest paid on our bank borrowings.

Net cash provided by financing activities was RMB1.64 billion for the year ended December 31, 2016 and primarily consisted of RMB1.24 billion from the proceeds of the capital contribution by PRC onshore investors to Innovent Suzhou and RMB0.43 billion from the proceeds of the capital contribution by offshore investors to our Company, both of which are part of our series D equity financing, partially offset by RMB26.6 million on interest paid on our bank borrowings.

Cash Operating Costs

The following table sets forth key information relating to our cash operating costs for the period indicated.

	For the six months ended June 30, 2018	For the year ended December 31, 2017	2016
	(RMB in thousand)		
Research and Development Costs for Core Products:			
Third-party contracting costs	134,482	122,286	82,198
Direct material[(1)]	52,930	104,062	84,723
Staff costs	26,079	41,855	29,352
Others	10,544	36,040	33,636
Total:			
Research and Development Costs:			
– Third-party contracting costs	156,463	208,637	99,002
– Direct material	106,173	187,488	137,365
– Staff costs	53,052	75,091	45,712
– Others	–	42,693	25,911
Workforce Employment[(2)]	121,404	135,799	77,568
Direct Production[(3)]	–	–	–
Commercialization[(3)]	–	–	–
Contingency Allowance	–	–	–

(1) The cash amount of accounts payable relating to the direct materials used in the research and development activities of core products was estimated based on the accounted amount on an accrual basis which closely approximates the cash amount of such accounts payables.

(2) Workforce employment costs represent total staff costs including salaries, bonus, retirement benefits and share-based payment expenses.

(3) We had not commenced product sales as of the Latest Practicable Date.

INDEBTEDNESS

The following table sets forth the breakdown of our financial indebtedness as of the dates indicated.

	As of August 31, 2018	As of June 30, 2018	As of December 31, 2017	2016
		(RMB in thousands)		
	(Unaudited)			
Consideration received from other financial liabilities (unsecured)*	3,647,527	3,647,527	2,699,705	2,595,458
Carrying amount of variable rate bank loans				
– secured	495,000	500,000	500,000	500,000
– unsecured	197,000	197,000	10,000	–
Total	**4,339,527**	**4,344,527**	**3,209,705**	**3,095,458**

* The aggregated proceeds we received from our various rounds of equity financing are recognized as consideration received from other financial liabilities (unsecured). As at December 31, 2016 and 2017 and June 30, 2018, the carrying amount of other financial liabilities amounting to RMB2,895.8 million, RMB3,051.1 million and RMB3,550.1 million, respectively, which includes the initial consideration received and subsequent fair value changes.

As of August 31, 2018, the outstanding balance of our bank loans was RMB692.0 million with effective interest rate of 4.9% per annum, out of which RMB10 million will become due in one year. We primarily used the proceeds of our bank borrowings for the construction of our manufacturing facilities and purchase of plant, property and equipment.

In 2015, we entered into a ten-year syndicated loan facility with China Construction Bank and Agricultural Bank of China, which bears the relevant benchmark interest rate published by the PBOC. The loan facility is secured and grants us a line of credit up to RMB500 million. Draw-downs on the facility will be repaid according to a repayment schedule. As of June 30, 2018, the credit line under this loan facility has been fully drawn down and utilized. As of August 31, 2018, the outstanding principal balance of this loan facility was RMB495 million, of which RMB5 million will become due in January 2019, and another RMB5 million will become due in July 2019.

In 2017, we entered into a ten-year syndicated loan facility with China Construction Bank and Agricultural Bank of China, which bears the relevant benchmark interest rate published by the PBOC. The loan facility is currently unsecured and grants us a line of credit up to RMB425 million. Draw-downs on the facility will be repaid according to a repayment schedule. As of August 31, 2018, the outstanding principal balance of the loan facility was RMB197.0 million and the unutilized loan facilities was RMB228 million.

Consent of the lenders under each of the two loan facilities is required before we incur any additional indebtedness. Our Directors confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. In 2018, we breached certain covenants under the syndicated loan facility we entered into in 2015 and had obtained waivers from the lenders of that facility by the Latest Practicable Date.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account the financial resources available to the Group, including cash and cash equivalents, internally generated funds, available financing facilities and the estimated net proceeds from the Listing, the Group has sufficient working capital to cover at least 125% of our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs (including any production costs) for at least the next 12 months from the expected date of this prospectus.

CAPITAL EXPENDITURE

We regularly incur capital expenditures to purchase and maintain our property, plant and equipment, in order to enhance our research and development capabilities and expand our business operations. Historically, we funded our capital expenditures mainly through bank borrowings and equity financing. The table below sets forth our capital expenditures for the periods indicated:

	For the six months ended June 30,		For the years ended December 31,	
	2018	2017	2017	2016
		(RMB in thousand)		
		(unaudited)		
Purchases of property, plant and equipment	55,064	29,940	49,791	57,780

We expect to incur capital expenditures of approximately RMB300 million and RMB141.46 million in 2018 and 2019, respectively. These expected capital expenditures are primarily for the construction of new facilities and maintenance of our existing facilities to increase our manufacturing capabilities in anticipation of the commercialization of our drug candidates, if approved, in the near future. Please refer to the sections headed "Business – CMC and Manufacturing" and "Future Plans and Use of Proceeds" for further details. We

expect to finance our capital expenditures through a combination of the net proceeds from the Global Offering and bank borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Operating Lease Commitments

We lease office or manufacturing facilities in Suzhou and Shanghai under non-cancellable operating leases expiring on different dates. As of June 30, 2018, we have non-cancellable operating lease commitments of approximately RMB20.3 million. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. The following table sets forth our commitments for future minimum lease payments under our non-cancellable operating leases which fall due as indicated:

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousand)		
Within one year	4,849	4,542	1,836
In the second to fifth years inclusive	15,407	17,612	34
Total	**20,256**	**22,154**	**1,870**

Capital Commitments

As of June 30, 2018, December 31, 2017 and 2016, we had capital commitments in respect of acquisition of property, plant and equipment of approximately RMB242.3 million, RMB131.3 million and RMB6.9 million, respectively, primarily in connection with the construction of our manufacturing facility. The following table sets forth our capital commitments as of the date indicated:

	As of June 30, 2018	As of December 31, 2017	2016
	(RMB in thousand)		
Contracted but not provided for	242,345	131,270	6,884

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest and Credit Risk

Our financial instruments include deposits and other receivables, other financial assets, bank balances and cash, trade payables, other payables, borrowings and other financial liabilities. Our management manages and monitors exposures to ensure appropriate measures are implemented on a timely and effective manner. For details, including relevant sensitivity analysis, see note 37b to the Accountants' Report set out in Appendix I.

Interest rate risk

We are exposed to fair value interest rate risk in relation to our variable-rate bank borrowings and bank balances. Our management has considered our exposure to cash flow interest rate risk in relation to variable-rate bank balances to be limited because the current market interest rates on general deposits are relatively low and stable. For further details, see note 37b to the Accountants' Report set out in Appendix I.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us.

In order to minimize credit risk, our finance team regularly review and evaluate our credit risk exposure. Our management uses publicly available financial information and our own historical repayment records to evaluate our other debtors. Our exposure and the credit ratings of our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on our liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For further details, see note 37b to the Accountants' Report set out in Appendix I.

Currency Risk

Certain bank balances and cash, trade and other payables, and other financial liabilities are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. We did not use any derivative contracts to hedge against our exposure to currency risk during the Track Record Period and up to the Latest Practicable Date. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For details, including relevant sensitivity analysis, see note 37b to the Accountants' Report set out in Appendix I.

Liquidity Risk

To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For details, see note 37b to Accountants' Report set out in Appendix I.

TRANSACTIONS WITH RELATED PARTIES OF A PREFERRED SHAREHOLDER

We had the following transactions during the Track Record Period with certain related parties of a preferred shareholder which has the authority to appoint a director on the Company's board:

	Six months ended June 30,		Year ended December 31,	
Nature of Transaction	**2018**	**2017**	**2017**	**2016**
		(RMB in thousand)		
		(unaudited)		
Collaboration Fee Received	74,192	–	24,261	28,882
Consulting Service Expenses Paid	(1,144)	(1,440)	(4,306)	(4,897)

It is the view of our directors that each of the above transactions (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) does not distort our track record period results or make our historical results not reflective of future performance.

TRANSACTIONS WITH DR. YU

As of December 31, 2016 and 2017 and June 30, 2018, we have subscription receivables arising from issuance of restricted shares to Dr. Yu amounting to RMB7.30 million, RMB28.6 million and RMB28.9 million, respectively. As of June 30, 2018, Dr. Yu had not paid us the subscription price of these restricted shares. Such amount owed by Dr. Yu together with other receivables were settled on October 15, 2018 pursuant to his service agreement of even date.

On October 15, 2018, in consideration of future performance of their duties as Directors, the Company granted bonuses in the total amount of approximately RMB201.02 million to certain Directors (including Dr. Yu) to convert the subscription receivables for restricted shares and receivables due from them (including the related tax liabilities), subject to fulfilment of certain performance conditions. Based on the relevant terms of the Directors' respective service agreements (which reflected the relevant contractual terms of these Directors' bonus plan), the outstanding receivables (including subscription receivables) and the withholding tax resulting from the share subscriptions and the grant of these bonuses as at October 15, 2018 were converted to the bonuses paid in advance to these Directors. These Directors shall be liable to return the whole or part of the bonuses and the relevant tax paid for them if certain performance conditions are not satisfied in accordance with the relevant terms of the service agreements. Please also see note 40(d) to the Accountants' Report set out in Appendix I for further details.

Our Directors confirm that our transactions with Dr. Yu during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

DIVIDENDS

We have never declared or paid any dividends on our ordinary shares or any other securities. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant.

DISTRIBUTABLE RESERVES

As of June 30, 2018, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$179.3 million (including underwriting commission, assuming an Offer Price of HK$13.25 per Share, being the mid-point of the indicative Offer Price range of HK$12.50 to HK$14.00 per Share), assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2016 and 2017. In the six months ended June 30, 2018, the listing expenses charged to profit or loss were RMB32.7 million and capitalized to deferred issue costs were RMB6.3 million. After June 30, 2018, approximately HK$18.90 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$116.19 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to our owners as at June 30, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to our owners has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to our owners as at June 30, 2018 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared based on the audited consolidated net tangible liabilities of our Group attributable to our owners as at June 30, 2018 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible liabilities of our Group attributable to our owners as at June 30, 2018 *RMB'000 (Note 1)*	**Estimated net proceeds from the Global Offering** *RMB'000 (Note 2)*	**Unaudited pro forma adjusted net tangible assets of our Group attributable to our owners as at June 30, 2018** *RMB'000*	**Unaudited pro forma adjusted net tangible assets of our Group attributable to our owners per Share as at June 30, 2018** *RMB (Note 3)*	*HK$ (Note 4)*
Based on an Offer Price of HK$12.50 per Share	(1,573,875)	2,485,720	911,845	2.06	2.34
Based on an Offer Price of HK$14.00 per Share	(1,573,875)	2,785,767	1,211,892	2.74	3.11

Notes:

1. The audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at June 30, 2018 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 236,350,000 Shares at the Global Offering of HK$12.50 (equivalent to RMB11.02) and HK$14.00 (equivalent to RMB12.34) per offer share, being the low-end and high-end of the stated offer price range, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses paid/payable by the Group (excluding listing expenses charged to profit or loss prior to June 30, 2018) and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Incentive Plan or the Post-IPO ESOP or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

   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$1 to RMB0.8817, which was the exchange rate prevailing on October 9, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that 442,606,893 Shares were in issue (retrospectively adjusted for share subdivision as disclosed in Appendix I to the Prospectus) assuming that the Global Offering had been completed on June 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Incentive Plan or the Post-IPO ESOP or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of our Company or (iv) the conversion of the Preferred Shares or (v) any unvested restricted shares.

4. For the purpose of unaudited pro forma adjusted consolidated net tangible assets of our Group per share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.8817, which was the exchange rate prevailing on October 9, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group as at June 30, 2018 to reflect any trading result or other transaction of our Group entered into subsequent to June 30, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to our owners as shown on II-1 have not been adjusted to illustrate the effect of the conversion of preferred shares into ordinary shares. The conversion of Preferred Shares upon completion of IPO would then have reclassified the RMB3,550,116,000 Preferred Shares to equity. The conversion of preferred shares would have increased the total share in issue assumption stated in note 3 by 671,783,410 shares to a total of 1,114,390,303 shares in issue. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of our Group after conversion of Preferred Shares would be as follows:

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to our owners of the Company as at June 30, 2018 after conversion of the Preferred Shares *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to our owners per Share as at June 30, 2018 after conversion of the Preferred Shares** *RMB (Note 5)*	*HK$ (Note 5)*
Based on an Offer Price of HK$12.50 per Offer Share	4,461,961	4.00	4.54
Based on an Offer Price of HK$14.00 per Offer Share	4,762,008	4.27	4.84

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the transactions that we enter into with our connected persons will constitute connected transactions upon the Listing.

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected person upon the Listing and the nature of their relationship with our Group. We have entered into certain transactions which will constitute our continuing connected transactions following the Listing with the following connected person:

Name	Connected Relationship
Dr. De-Chao Michael Yu	Our Director

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

	Transactions Exempt continuing connected transactions	Waivers sought	Proposed annual cap for the year ending December 31, 2018	2019	2020
				(in RMB'000)	
1.	IP License Agreement	N/A	N/A	N/A	N/A

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transaction for our Group which is exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

IP License Agreement

On June 11, 2018, Innovent Suzhou entered into an IP licensing agreement with Dr. De-Chao Michael Yu, pursuant to which Dr. Yu agreed to license his rights in the domain names "innoventbio.com", "innoventbio.net", "innoventbiologics.com" and "innoventbiologics.net" (the "**Domain IP Rights**") to Innovent Suzhou for use by it (the "**IP License Agreement**") on an exclusive and royalty-free basis for a term commencing from the date of the agreement until such times as Dr. Yu ceases to directly or indirectly hold any Share. Such Domain IP Rights can be sub-licensed to any third parties.

As the IP Rights are granted under the IP License Framework Agreement on a royalty-free basis (which are on normal commercial terms or terms that are better to us), the IP License Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

Authorised Share Capital

The authorised share capital of our Company immediately following the completion of the Global Offering is as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares *(US$)*
4,328,216,600	Ordinary shares of US$0.00001 each	43,282.17
50,000,000	Series A Preferred Shares of US$0.00001 each	500
136,363,660	Series B Preferred Shares of US$0.00001 each	1,363.64
158,894,480	Series C Preferred Shares of US$0.00001 each	1,588.94
214,751,780	Series D Preferred Shares of US$0.00001 each	2,147.52
111,773,480	Series E Preferred Shares of US$0.00001 each	1,117.73
5,000,000,000	Shares in total	50,000

Issued Share Capital

The issued share capital of our Company as of the date of this prospectus and immediately following the completion of the Global Offering is as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares *(US$)*	% of the issued share Capital
881,800,710	Shares in issue as at the date of this prospectus	8,818.01	78.9%
236,350,000	Shares to be issued under the Global Offering	2,363.50	21.1%
1,118,150,710	Shares in total	11,181.51	100%

ASSUMPTIONS

The above table assume that (i) the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering and (ii) the Over-allotment Option is not exercised and no Shares are issued pursuant to the Equity Plan. The above tables also do not take into account any Shares which may be issued or repurchased by the Company under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon Listing, namely ordinary 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 share capital; (ii) consolidate and divide its share capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken or agreed to be taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Companies Law – Summary of the Constitution of the Company – 2. Articles of Association – 2.5 Alteration of capital" in Appendix III for further details.

PRE-IPO SHARE INCENTIVE PLAN AND POST-IPO ESOP

We adopted the Pre-IPO Share Incentive Plan, the Post-IPO ESOP and the RS Plan. For the RS Plan, we will issue 55,907,535 Shares within two years of Listing for distribution of Shares corresponding to Restricted Shares. See the section headed "Statutory and General Information – Equity Plans" in Appendix IV for further details.

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 with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Incentive Plan); and

- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed "– General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed "Statutory and General Information – Further Information about our Company and our Subsidiaries – Resolutions of the Shareholders of our Company dated October 15, 2018" in Appendix IV for further details of this general mandate.

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 our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Incentive Plan).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – Further Information about our Company and our Subsidiaries – Repurchase of our Own Securities" in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information – Further Information about our Company and our Subsidiaries – Repurchase of our Own Securities" in Appendix IV for further details of the repurchase mandate.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans, the following persons (other than a Director or chief executive of the Company) will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of substantial shareholder	Capacity/ Nature of Interest	Number of shares held	Approximate percentage of shareholding in our Company after completion of the Global Offering
Asia Ventures[(1)]	Beneficial interest	78,122,780	6.99%
Asia Partners II L.P.[(1)]	Interest in a controlled corporation	78,122,780	6.99%
FIL Capital Management Ltd[(1)]	Interest in a controlled corporation	78,122,780	6.99%
FIL Limited[(1)]	Interest in a controlled corporation	156,245,560	13.97%
Pandanus Partners L.P.[(1)]	Interest in a controlled corporation	156,245,560	13.97%
Pandanus Associates Inc.[(1)]	Interest in a controlled corporation	156,245,560	13.97%
F-Prime Capital[(2)]	Beneficial interest	78,122,780	6.99%
F-Prime Capital Partners Healthcare Advisors Fund II LP[(2)]	Interest in a controlled corporation	78,122,780	6.99%
Impresa Fund III Limited Partnership[(2)]	Interest in a controlled corporation	156,245,560	13.97%

Name of substantial shareholder	Capacity/ Nature of Interest	Number of shares held	Approximate percentage of shareholding in our Company after completion of the Global Offering
Impresa Management LLC[2]	Interest in a controlled corporation	156,245,560	13.97%
Abigail P. Johnson[2]	Trustee	156,245,560	13.97%
Edward C. Johnson IV[2]	Trustee	156,245,560	13.97%
FMR LLC[2]	Interest in a controlled corporation	156,245,560	13.97%
Seacliff (Cayman) Ltd.[3]	Beneficial interest	65,769,750	5.88%
Capital International Private Equity Fund VI, L.P.[3]	Interest in a controlled corporation	65,769,750	5.88%
Capital International Investments VI, L.P.[3]	Interest in a controlled corporation	65,769,750	5.88%
Capital International Investments VI Limited[3]	Interest in a controlled corporation	67,064,090	6.00%
TLS Beta[4]	Beneficial interest	64,482,850	5.77%
Temasek Life Sciences Private Limited[4]	Interest in a controlled corporation	64,482,850	5.77%
Fullerton Management Pte Ltd[4]	Interest in a controlled corporation	64,482,850	5.77%
Temasek Holdings (Private) Limited[4]	Interest in a controlled corporation	64,482,850	5.77%
Great Biono Fortune LP[5]	Nominee shareholder	90,100,040	8.06%
Great Biono Fortune Limited[5]	Interest in a controlled corporation	90,100,040	8.06%
De-Chao Michael Yu[5][6]	Beneficial owner	45,628,190	4.08%
	Grantor of a trust	10,000,000	0.89%
	Interest in a controlled corporation	90,100,040	8.06%

Notes:

(1) FIL Limited is deemed to be interested in the equity interests held by both Asia Ventures and F-Prime Capital, due to (i) its interests in Asia Ventures 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; and (ii) its interests in F-Prime Capital as a limited partner. 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 Capital Management Ltd is deemed to be interested in the 78,122,780 Shares held by Asia Ventures, and FIL Limited, Pandanus Partners L.P., and Pandanus Associates Inc. are deemed to be interested in the 156,245,560 Shares held by Asia Ventures and F-Prime Capital.

(2) Impresa Fund III Limited Partnership is deemed to be interested in the equity interests held by both Asia Ventures and F-Prime Capital, due to its interests in each of Asia Ventures and F-Prime Capital 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 is F-Prime Capital Partners Healthcare Advisors Fund II LP, whose general partner is Impresa Management LLC.

As such, under the SFO, F-Prime Capital Partners Healthcare Advisors Fund II LP is deemed to be interested in the 78,122,780 Shares held by F-Prime Capital, and Impresa Fund III Limited Partnership, Impresa Management LLC, Abigail P. Johnson, Edward C. Johnson IV and FMR LLC are deemed to be interested in the 156,245,560 Shares held by Asia Ventures and F-Prime Capital.

(3) Seacliff (Cayman) Ltd. is wholly-owned by Capital International Private Equity Fund VI, L.P., the general partner of which is Capital International Investments VI, LP, the general partner of which is Capital International Investments Limited. Under the SFO, Capital International Private Equity Fund VI, L.P., Capital International Investments VI, LP and Capital International Investments VI Limited are deemed to be interested in the 65,769,750 Shares held by Seacliff (Cayman) Ltd. Further, Dwyer (Cayman) Ltd. is 100% owned by CGPE VI, L.P., the general partner of which is Capital International Investments VI Limited. Therefore under the SFO, Capital International Investments VI Limited is also deemed to be interested in the 1,294,340 Shares held by Dwyer (Cayman) Ltd.

(4) TLS Beta is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 64,482,850 Shares held by TLS Beta.

(5) Includes (1) 45,628,190 Shares held by Dr. Yu and (2) 10,000,000 Shares held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.

(6) The general partner of Great Biono Fortune LP is Great Biono Fortune Limited, which holds the interests of Great Biono Fortune LP as to 50% as its general partner. Dr. De-Chao Michael Yu is the sole shareholder of Great Biono Fortune Limited and a limited partner of Great Biono Fortune LP. Under the SFO, each of Great Biono Fortune Limited and Dr. Yu is deemed to be interested in the 90,100,040 Shares held by Great Biono Fortune LP. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. Yu is beneficially interested in 59,511,000 Shares.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors described below (each a "**Cornerstone Investor**", and together, the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our Offer Shares, the Offer Shares that may be purchased with an aggregate investment amount of approximately HK$1,918,345,000 (calculated based on the conversion rate of US$1.00 to HK$7.8282 for illustrative purposes only) (the "**Cornerstone Placing**"). Pursuant to the Cornerstone Investment Agreements, all US dollar investment amounts are to be calculated using the closing Hong Kong dollar: US dollar exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited at 6:00 p.m. on the business day immediately prior to the Price Determination Date (excluding brokerage and the levies which the Cornerstone Investor will pay in respect of the Offer Shares subscribed for).

Assuming an Offer Price of HK$12.50, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be acquired by the Cornerstone Investors would be 153,465,000 Offer Shares, representing approximately 64.93% of the Offer Shares and approximately 13.72% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans).

Assuming an Offer Price of HK$13.25, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be acquired by the Cornerstone Investors would be 144,777,500 Offer Shares, representing approximately 61.26% of the Offer Shares and approximately 12.95% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans).

Assuming an Offer Price of HK$14.00, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be acquired by the Cornerstone Investors would be 137,020,000 Offer Shares, representing approximately 57.97% of the Offer Shares and approximately 12.25% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans).

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will not count towards the public float of our Company under Rule 18A.07 of the Listing Rules. Immediately following the completion of the Global Offering, save for Mr. Shuyun Chen, who is appointed by Capital Group (i.e. Seacliff (Cayman) Ltd. and Dwyer (Cayman) Ltd.), the Cornerstone Investors will not have any Board representation in our Company, nor will they become a substantial shareholder of the Company. To the best knowledge of our Company, except for Mr. Shuyun Chen, who is appointed by Capital Group (i.e. Seacliff (Cayman) Ltd. and Dwyer (Cayman) Ltd.) (as defined below), each of the Cornerstone Investors is an Independent Third Party and is not our Company's connected person (as defined in the Listing Rules).

Certain of the Cornerstone Investors, namely Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., LAV Biosciences Fund IV, L.P. and Elbrus Investments Pte. Ltd., are existing Shareholders or their affiliates. Pursuant to Paragraph 5.2 of Stock Exchange Guidance letter HKEX-GL92-18 and the waiver from Rule 9.09(b) of the Listing Rules as further described in the section headed "Waivers from Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance", Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., LAV Biosciences Fund IV, L.P. and Elbrus Investments Pte. Ltd. are permitted to participate in the Cornerstone Placing.

The Cornerstone Investors who are existing Shareholders or their affiliates include Seacliff (Cayman) Ltd., Dwyer (Cayman) Ltd., Cormorant Asset Management, LP, LAV Biosciences Fund IV, L.P., Rock Springs Capital Master Fund LP and Elbrus Investments Pte. Ltd..

Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or about October 30, 2018.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. Seacliff and Dwyer

Seacliff (Cayman) Ltd. ("**Seacliff**") and Dwyer (Cayman) Ltd. ("**Dwyer**") are wholly-owned by Capital International Private Equity Fund VI, L.P. ("**CIPEF VI**") and CGPE VI, L.P. ("**CGPE VI**") respectively. CIPEF VI is a US$3 billion global emerging markets private equity fund which is managed by Capital International, Inc., a subsidiary of The Capital Group Companies, a leading global investment management organization with over 85 years of experience. CGPE VI is an employee vehicle of The Capital Group Companies that co-invests alongside CIPEF VI. For further details, please refer to the section headed "History, Development and Corporate Structure – 4. Information on our Pre-IPO Investors".

Seacliff and Dwyer have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$20,000,000 (or approximately HK$156,564,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Seacliff and Dwyer will be 12,524,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.30% of the Offer Shares and approximately 1.12% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Seacliff

and Dwyer will be 11,816,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.00% of the Offer Shares and approximately 1.06% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Seacliff and Dwyer will be 11,182,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 4.73% of the Offer Shares and approximately 1.00% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

2. Cormorant Asset Management, LP

Cormorant Asset Management, LP ("**Cormorant**") is a SEC registered investment advisor located in Boston, Massachusetts, USA, which has been providing investment advisory services since March 2013. Cormorant invest primarily in public and private securities of healthcare and life sciences companies. Cormorant Global Healthcare Master Fund, LP, Cormorant Private Healthcare Fund II, LP, and CRMA SPV, LP (the "**Cormorant Funds**") are long-term investment partnerships investing in healthcare and life sciences companies and advised by Cormorant.

Cormorant has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$25,000,000 (or approximately HK$195,705,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Cormorant will be 15,656,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 6.62% of the Offer Shares and approximately 1.40% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Cormorant will be 14,770,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 6.25% of the Offer Shares and approximately 1.32% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Cormorant will be 13,978,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.91% of the Offer Shares and approximately 1.25% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

3. Greenwoods Asset Management Limited

Greenwoods Asset Management Limited ("**Greenwoods**") is an exempted company incorporated in Cayman Islands with limited liability. Established in 2004, Greenwoods is currently one of the largest and earliest China-based alternative asset managers specializing in investing in Chinese companies. Greenwoods focuses on fundamental research approach to perform due diligence. Greenwoods has track record period of more than 14 years. Investors of funds managed by Greenwoods mainly consist of institutional investors such as sovereign wealth funds, pension funds, university endowments, family offices, banks and insurers from the US, Europe and Asia.

Greenwoods has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$20,000,000 (or approximately HK$156,564,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Greenwoods will be 12,525,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.30% of the Offer Shares and approximately 1.12% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Greenwoods will be 11,816,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.00% of the Offer Shares and approximately 1.06% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Greenwoods will be 11,183,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 4.73% of the Offer Shares and approximately 1.00% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

4. LAV Biosciences Fund IV, L.P.

LAV Biosciences Fund IV, L.P. ("**LAV Biosciences**") is a Cayman exempted limited partnership fund managed by LAV Management Co., Ltd. and its affiliates ("**LAV**"). LAV is a leading Asia-based life science investment firm with portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services. LAV has offices in Shanghai and Hong Kong. For further details, please refer to the section headed "History, Development and Corporate Structure – 4. Information on our Pre-IPO Investors".

LAV Biosciences has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$20,000,000 (or approximately HK$156,564,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by LAV Biosciences will be 12,525,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.30% of the Offer Shares and approximately 1.12% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by LAV Biosciences will be 11,816,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 5.00% of the Offer Shares and approximately 1.06% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by LAV Biosciences will be 11,183,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 4.73% of the Offer Shares and approximately 1.00% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

5. Prime Capital Funds

Dragon Billion China Master Fund ("**DBCMF**"), Dragon Billion Select Master Fund ("**DBSMF**"), Map 109 Segregated Portfolio ("**MAP 109**") and Map 147 Segregated Portfolio ("**MAP 147**") (collectively the "**Prime Capital Funds**") are investment funds or accounts managed or advised by Prime Capital Management Company Limited as investment manager or adviser. Prime Capital Management Company Limited is a limited liability company organized in Hong Kong which is licensed with the Hong Kong SFC and registered with the US Securities and Exchange Commission.

Each of DBCMF and DBSMF is an investment fund established in the Cayman Islands as an exempted company with limited liability. Each of MAP 109 and MAP 147 is a segregated portfolio of LMA SPC, an exempted segregated portfolio company organized in the Cayman Islands. The primary objective of the Prime Capital Funds is to generate investment returns through investment in securities.

Prime Capital Funds have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$30,000,000 (or approximately HK$234,846,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Prime Capital Funds will be 18,787,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 7.95% of the Offer Shares and approximately 1.68% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Prime Capital Funds will be 17,723,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 7.50% of the Offer Shares and approximately 1.59% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Prime Capital Funds will be 16,773,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 7.10% of the Offer Shares and approximately 1.50% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

6. Rock Springs Capital Master Fund LP

Rock Springs Capital Master Fund LP ("**Rock Springs**") is a Cayman Islands exempted limited partnership. The Fund pursues an investment strategy focused primarily on investing in companies in the healthcare and healthcare-related industries.

Rock Springs has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$5,000,000 (or approximately HK$39,141,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price. Rock Springs is entitled to terminate the cornerstone investment agreement in the event that there is a material breach of the agreement on the part of the Company or other contracting parties.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Rock Springs will be 3,131,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 1.32% of the Offer Shares and approximately 0.28% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Rock Springs will be 2,954,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 1.25% of the Offer Shares and approximately 0.26% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Rock Springs will be 2,795,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 1.18% of

the Offer Shares and approximately 0.25% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

7. SCC Growth V Holdco L, Ltd.

SCC Growth V Holdco L, Ltd. ("**SCC Growth**") is a company incorporated in the Cayman Islands and is a wholly-owned subsidiary of Sequoia Capital China Growth Fund V, L. P. ("**SCC GV Fund**"). SCC GV Fund is an investment fund whose primary purpose is to make equity investments in private companies. The general partner of SCC GV Fund is SC China Growth V Management, L.P., whose general partner is SC China Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited.

SCC Growth has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$60,000,000 (or approximately HK$469,692,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price. SCC Growth is entitled to terminate the cornerstone investment agreement in the event that there is a material breach of the agreement by the Company or other contracting parties.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by SCC Growth will be 37,575,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 15.90% of the Offer Shares and approximately 3.36% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by SCC Growth will be 35,448,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 15.00% of the Offer Shares and approximately 3.17% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by SCC Growth will be 33,549,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 14.19% of the Offer Shares and approximately 3.00% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

8. Elbrus Investments Pte. Ltd.

Elbrus Investments Pte. Ltd. ("**Elbrus**") is a company incorporated in Singapore, being a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. The principal activity of Elbrus is investment holding.

Elbrus has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of HK$157,000,000 at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Elbrus will be 12,560,000 Shares (rounded down to the nearest whole board lot), representing approximately 5.31% of the Offer Shares and approximately 1.12% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Elbrus will be 11,849,000 Shares (rounded down to the nearest whole board lot), representing approximately 5.01% of the Offer Shares and approximately 1.06% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Elbrus will be 11,214,000 Shares (rounded down to the nearest whole board lot), representing approximately 4.74% of the Offer Shares and approximately 1.00% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

9. Value Partners Hong Kong Limited

Value Partners Hong Kong Limited ("**Value Partners**") is a wholly-owned subsidiary of Value Partners Group Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 806). Value Partners is one of Asia's largest independent asset management firms headquartered in Hong Kong. Value Partners manages absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in Asia Pacific, Europe and the United States.

Value Partners has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$30,000,000 (or approximately HK$234,846,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Value Partners will be 18,787,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 7.95% of the Offer Shares and approximately 1.68% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Value Partners will be 17,724,000 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 7.50% of the Offer Shares and approximately 1.59% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by Value Partners will be 16,774,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 7.10% of the Offer Shares and approximately 1.50% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

10. Vivo Funds

Vivo Capital Fund IX, L.P. and Vivo Opportunity Fund, L.P. (collectively, the "**Vivo Funds**") are investment funds organized under the laws of Delaware. Both Vivo Funds are dedicated to investing in companies and assets in the healthcare sector in primarily the U.S. and China, which are two of the largest healthcare markets in the world. Vivo Capital IX, LLC is the general partner of Vivo Capital Fund IX, L.P. and Vivo Opportunity Fund, LLC is the general partner of Vivo Opportunity Fund, L.P..

The Vivo Funds have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$15,000,000 (or approximately HK$117,423,000 calculated based on the conversion rate of US$1.000 to HK$7.8282 for illustrative purposes only) at the Offer Price.

Assuming the Offer Price of HK$12.50 (being the low-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by the Vivo Funds will be 9,393,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 3.97% of the Offer Shares and approximately 0.84% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$13.25 (being the mid-point of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by the Vivo Funds will be 8,861,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 3.75% of the Offer Shares and approximately 0.79% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

Assuming the Offer Price of HK$14.00 (being the high-end of the Offer Price range set out in this prospectus), the total aggregate number of Shares to be subscribed for by the Vivo Funds will be 8,386,500 Shares (rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.000 to HK$7.8282 for illustrative purposes only), representing approximately 3.55% of the Offer Shares and approximately 0.75% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans.

CLOSING CONDITIONS

The obligation of each Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

DIRECTORS AND SENIOR MANAGEMENT

As of the date of this prospectus, our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. De-Chao Michael Yu, Ph.D.	54	Executive Director, Chairman, President and Chief Executive Officer	April 28, 2011	April 28, 2011	Overall strategic planning and business direction
Mr. Ronald Hao Xi Ede	59	Executive Director and Chief Financial Officer	January 1, 2018	June 4, 2018	Finance, investor relations, information technology
Mr. Shuyun Chen	44	Non-executive Director	January 31, 2018	January 31, 2018	Providing professional opinion and judgment to the Board
Mr. Charles Leland Cooney, Ph.D.	73	Independent non-executive Director	October 18, 2015	September 26, 2016	Providing independent opinion and judgment to the Board
Ms. Joyce I-Yin Hsu	43	Independent non-executive Director	Prospectus Date	Prospectus Date	Providing independent opinion and judgment to the Board
Mr. Kaixian Chen, Ph.D.	72	Independent non-executive Director	Prospectus Date	Prospectus Date	Providing independent opinion and judgment to the Board

Executive Directors

Mr. De-Chao Michael Yu, **Ph.D.**, aged 54, is an executive Director, the Chairman, President and Chief Executive Officer of our Company. He is responsible for the overall strategic planning and business direction of our Group and management of our Company. Dr. Yu was a director, president and chief executive officer of Chengdu Kanghong Biotech Co. Ltd. from 2006 to 2010. Dr. Yu was the vice president of research and development at Applied Genetic Technology Corporation (a company subsequently listed on the NASDAQ with ticker symbol AGTC) in 2005. Between 1997 and 2001, Dr. Yu was the vice president of Calydon, Inc. which was later acquired by Cell Genesys, Inc. (a company subsequently listed on the NASDAQ with ticker symbol CEGE), and worked there till 2005 following acquisition as a principal scientist and a senior director. Dr. Yu received his doctor of philosophy degree in genetics from the Chinese Academy of Sciences in May 1993 and completed his post-doctoral training at the University of California San Francisco. He has been a Professor and Ph.D. Supervisor at Sichuan University since 2008.

Dr. Yu invented the world's first oncolytic virus-based immunotherapeutic product, Oncorine, and also co-invented and led the development of the first domestic innovative fully human antibody-like therapeutic approved for marketing in China, Conbercept (a drug for ocular diseases). Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognized as "Top Ten Persons in Innovation in China" in 2014, "The E&Y Entrepreneur of the Year in China" in 2015 and "Distinguished Entrepreneur of Jiangsu Province" in 2016. In 2017, Dr. Yu was selected as "Person of the Year in Innovation for Science and Technology in 2016", "2017 China Person of the Year in Pharmaceutical Economics" and "The Most Influential Person of the Year in Life Science in China in 2017". In 2018, Dr. Yu was awarded as the First Prize of "The Seventh National Overseas Returnee Contributions Awards".

Dr. Yu has served in different capacities in the following committees and associations in the PRC:

- as the chairman of the board of the Chinese Antibody Society (華人抗體協會) since 2017;

- as a deputy director of the National Technical Committee on Biochemical Products and Testing Technology of the Standardization Administration of China (全國生化檢測標準化技術委員會) since 2007;

- as a deputy director of Drug Research and Development Special Committee of the China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會藥物研發專業委員會) since 2015;

- as a deputy director of the Committee of the Cancer Immunology and Cancer Biotherapy of the Chinese Society for immunology (中國免疫學會腫瘤免疫與腫瘤生物治療專業委員會) since 2016;

- as a managing director of the Chinese Association for Medicinal Biotechnology (中國醫藥生物技術協會) from 2014 to 2019;

- as a standing committee member of the Special Committee of Gene Therapy Society of the Chinese Association of Medicinal Biotechnology (中國醫藥生物技術協會基因治療協會專業委員會) from 2013 to 2017;

- as a member of the Special Committee for Precision Medicine of the China Medicinal Biotech Association (中國醫藥生物技術協會精準醫療專業委員會) from 2015 to 2019; and

- as a member of the Special Committee of Cancer Biotherapy of the China Anti-Cancer Association (中國抗癌協會腫瘤生物治療專業委員會) since 2012.

Dr. Yu has served as an independent non-executive director at PharmaBlock Sciences (Nanjing), Inc. (a company listed on the Shanghai Stock Exchange with stock code 300725) from 2015 to 2018.

Mr. Ronald Hao Xi Ede, aged 59, is an executive Director and the Chief Financial Officer of our Company. Mr. Ede is responsible for finance, investor relations, and information technology of our Group. Between 2011 and 2016, Mr. Ede was the chief financial officer of Biosensors International Ltd. Between 2009 and 2011, Mr. Ede was the chief financial officer of Mindray Medical International Limited. Mr. Ede is a fellow member of the Institute of Singapore Chartered Accountants and an A-Share independent director certified by the Shenzhen Stock Exchange.

Mr. Ede received his bachelor of business administration degree from the University of Hawaii in December 1984 and a master of business administration degree from the University of Washington in December 1988.

Mr. Ede has held directorships in the following listed companies outside of the Group during the past three years:

- Mindray Medical International Limited (a company listed on the New York Stock Exchange with ticker symbol MR) as an independent non-executive director since 2006; and resigned as an independent non-executive director in 2016 after the company was privatized from NYSE. In 2017, he rejoined the board as an independent non-executive director for Mindray as a private company; and

- Dawnrays Pharmaceutical (Holding) Ltd. (a company listed on the Stock Exchange with stock code 2348) as a non-executive director since 2015. In 2017, Mr. Ede was re-designated as an independent non-executive director.

Non-Executive Director

Mr. Shuyun Chen, aged 44, also known as Nick Chen, is a non-executive Director of our Company. Mr. Chen is responsible for providing professional opinion and judgment to the Board. He is a Partner of Capital Group Private Markets ("**CGPM**"), part of the Los Angeles-based The Capital Group Companies ("**Capital Group**"), where he heads CGPM's China team. Prior to joining Capital Group in 2005, Mr. Chen worked at J.P. Morgan & Chase in investment banking roles in New York and Hong Kong from 1999, leaving as Vice President of the Asia mergers and acquisitions group. Before joining J.P. Morgan, he worked at Willis Towers Watson in the U.S. as a management consultant associate.

Mr. Chen received his bachelor of arts degree (summa cum laude) in business (management) economics from Franklin & Marshall College in the U.S. in May 1997.

Independent Non-Executive Directors

Mr. Charles Leland Cooney, **Ph.D.**, aged 73, is an independent non-executive Director. He is responsible for providing independent opinion and judgment to the Board. Dr. Cooney joined the faculty of the Massachusetts Institute of Technology as an assistant professor in 1970, becoming full professor in 1982. His teaching focuses on bioprocess development and manufacturing and technological innovation, and his research interests include biochemical engineering and pharmaceutical manufacturing. Between 2002 to 2014, Dr. Cooney was the founding Faculty Director of the Deshpande Center for Technological Innovation.

Dr. Cooney is a consultant to multiple biotech and pharmaceutical companies and sits on the boards of private companies such as GreenLight Bioscience, Mitra Biotech and Mitra RxDx and LayerBio, and is an adviser to the Singapore MIT Alliance for Research and Technology (SMART) Innovation Center. He served as an independent non-executive director of Polypore International (a company listed on the NASDAQ with ticker symbol PPO), and Biocon Limited (a company listed on the New York Stock Exchange with ticker symbol BIOCON and on the Bombay Stock Exchange with stock code 532523).

Dr. Cooney received his Bachelor of Science degree in chemical engineering from the University of Pennsylvania in June 1966, and his Master of Science and doctor of philosophy degrees in biochemical engineering from the Massachusetts Institute of Technology in September 1967 and February 1970, respectively.

Ms. Joyce I-Yin Hsu, aged 43, is an independent non-executive Director. She is responsible for providing independent opinion and judgment to the Board. She has been a partner at Cornell Capital HK since 2017, and was a partner at Zoyi Capital between 2013 and 2015, being mainly responsible for investments and portfolio company monitoring. Prior to this, Ms. Hsu served as Chief Financial Officer at Mindray Medical International Limited (a company listed on the New York Stock Exchange with ticker symbol MR) between 2006 and 2009, before which she was an Executive Director at Goldman Sachs Asia between 1998 and 2006.

Ms. Hsu has held directorships in the following listed and private companies outside of the Group during the past three years:

- Corelle Brands as a non-executive director;
- ACEA Bioscience as a non-executive director;
- Weconex as a non-executive director; and
- Mindray Medical International Limited (a company listed on the New York Stock Exchange with ticker symbol MR) as a director.

Ms. Hsu received her bachelor of science in business administration degree from the University of California at Berkeley in May 1998.

Mr. Kaixian Chen, **Ph.D.**, aged 72, is an independent non-executive Director. He is responsible for providing independent opinion and judgment to the Board. Dr. Chen has been a professor of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, since 1990, served as its director between 1996 and 2004, and has served as director of its degree committee since 2014. He has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as its president from 2005 to 2014, and has served as chairman of its academic committee from 2014 to 2018.

Dr. Chen holds professional memberships and qualifications in different capacities in numerous organizations in the PRC, including the below:

- as an Academician of the Chinese Academy of Sciences (中國科學院) since 1999;
- as deputy president of the Chinese Pharmaceutical Association (中國藥學會) from 2007 to 2017, and the Director of the Division of Medicinal Chemistry, CPA (中國藥學會藥物化學專業委員會) since 2007;
- as member of the general expert group of the National Science and Technology Major Project "Innovative Drug Research & Development" (國家重大科技專項《重大新藥創制》) since 2008, and the deputy chief scientific and technical officer since 2016;
- as chairman of the Shanghai Association of Science and Technology (上海市科學技術協會) since 2011;
- as editor in chief of Progress in Pharmaceutical Sciences, Chinese Journal of New Drugs and Clinical Remedies (藥學進展、中國新藥與臨床雜誌) since 2015; and

- as executive member and deputy director of the National Pharmacopoeia Commission of China (國家藥典委員會) since 2017.

Dr. Chen has served as a director of Zai Lab Limited (a company listed on the NASDAQ with ticker symbol ZLAB) since 2018, and as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the Stock Exchange with stock code 1349) between 2014 and 2015.

Dr. Chen received his bachelor's degree in radiochemistry from Fudan University in August 1968, and his master's degree in quantum chemistry and structural chemistry and Ph.D. in quantum chemistry from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences in February 1982 and February 1985, respectively.

Save as disclosed herein, each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other matter to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as member of senior management	Roles and responsibilities
Mr. De-Chao Michael Yu, Ph.D.	54	Executive Director, Chief Executive Officer and the Chairman of our Board	April 28, 2011	April 28, 2011	Overall strategic planning and business direction
Mr. Qinwei Zhou, Ph.D.	55	Chief Operation Officer	June 16, 2016	June 16, 2016	Overseeing day-to-day operations including quality, manufacturing, supply chain, engineering, analytical science and process development management
Mr. Ronald Hao Xi Ede	59	Executive Director and Chief Financial Officer	January 1, 2018	January 1, 2018	Finance, investor relations, information technology

Mr. De-Chao Michael Yu, Ph.D., aged 54, is the chairman, President and Chief Executive Officer of our Company. For further details, please see the paragraphs headed "– Executive Directors" in this section.

Mr. Qinwei Zhou, Ph.D., aged 55, is the Chief Operation Officer of our Company. Dr. Zhou is responsible for quality, manufacturing, supply chain, analytical science and process development management of our Group. Dr. Zhou served as assistant vice president at Eli Lilly from 2009 to 2011, and as vice president in charge of bioanalytical science from 2011 to 2016. Prior to Eli Lilly's acquisition of ImClone Systems, Inc., Dr. Zhou was employed at ImClone Systems Inc., joining the company as manager in 1994 and serving as senior director until the acquisition. Dr. Zhou was a manager at United Biomedical Inc. from 1990 to 1994.

Dr. Zhou obtained his bachelor of science and master of science degrees in chemistry from Fudan University in the PRC in June 1984 and June 1987 respectively, and earned his doctor of philosophy in chemistry from The City University of New York in the US in February 1996.

Mr. Ronald Hao Xi Ede, aged 59, is an executive Director and the Chief Financial Officer of our Company. For further details, please see the paragraph headed "– Executive Directors" in this section.

Save as disclosed herein, each member of our senior management had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Yanju Wang, aged 29, was appointed as our joint company secretary on June 4, 2018. She joined the Group in October 2015 as Executive Assistant. Her main responsibilities include managing company documents, revising institutional processes, organizing board and management meetings, and taking charge of the company's foreign investment and industrial registration. Prior to joining the Group, Ms. Wang worked as a production coordinator at Boshi Automobile Parts (Suzhou) Co., Ltd. (博世汽車零部件(蘇州)有限公司) from 2014 to 2015.

Ms. Wang received her Bachelor in Management degree from the Nanjing University of Posts and Telecommunications in June 2012 and her Master of Economics degree from Jiangsu University in June 2015. She obtained an accounting qualification certificate in August, 2014 and a banking qualification certificate in October, 2014.

Ms. Lok Yee Chan, aged 28, was appointed as our joint company secretary on June 4, 2018. She joined Vistra Corporate Services (HK) Limited in 2016 and is an Assistant Manager of Corporate Services. Ms. Chan has over four years of experience in providing a full range of company secretarial and compliance services and is currently serving a portfolio of clients including public listed companies and private companies.

Ms. Chan obtained a Bachelor of Arts from The Hong Kong Polytechnic University in October 2011 and a Master of Science in Professional Accounting and Corporate Governance in July 2015 from City University of Hong Kong.

She has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators in United Kingdom since 2015.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, (ii) a confidentiality and intellectual property rights agreement, and (iii) a non-competition agreement with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

- *Term*: We normally enter into two-year employment contracts with our senior management members and other key personnel.

- *No conflict*: During the term of the employment contract, the employee shall not engage in any part-time job or provide services to other employers which would affect the employee's employment with our Group. If the employee breaches this provision, we may terminate the employment contract without providing any compensation.

- *Intellectual property assignment.* During the term of the contract, all technical achievements made by the employee using the production, management and technical information of the Company shall be the result of his employment. Apart from the right of attribution, all other intellectual property rights in relation to these achievements shall belong to the Company. During the term of the contract and for one year after termination of such contract, all technical achievements made by the employee while carrying out tasks or engaging in production or business activities for the Company, and using the production, management and technical information of the Company, shall belong to the Company in all respects (including ownership, use rights, transfer rights and all other intellectual property rights. If such technical achievements are subsequently patented, the patent rights and application rights also belong to the Company.

Confidentiality

- *Scope of confidential information*. The employee shall keep the following information confidential:

  (i) Information related to the business or potential business of the Group;

  (ii) Business information created by the employee or Information in relation to any projects disclosed to or engaged in by the employee during the course of employment or business;

  (iii) Information the suppliers, clients, potential or actual business partners of the Group or its affiliates acknowledge as confidential, for which the Group bears the obligations of confidentiality; and

(iv) Other information of any nature made known to the employee during his term of employment in the Group.

- *Confidential obligation*. The employee shall not disclose, copy or utilize such information beyond his scope of work, or disclose or allow it to be disclosed to any third party (including other employees outside of work purposes), or gain access to such information through theft, bribery, threat or other illegal ways.

- *Confidential period*. The confidentiality obligations shall continue to be in effect after the departure of the employee, unless such trade secrets become public knowledge.

Intellectual Property Rights Assignment

- *Disclosure obligation*. During the term of employment and within one year from the date of an employee's departure, he/she shall immediately disclose to the Company all the information of any intellectual property, technology or trade secrets that is relevant to the Company's current or potential business, products or research, developed by the employee alone or with others (the "disclosure obligation").

- *Technical achievements as result of employment.* All technical achievements produced by the employee solely or jointly with others (i) within his scope of work, (ii) in carrying out other assigned duties, (iii) within one year after termination of employment, or (iv) using resources or technical information of the Company, shall be the result of his/her employment. All intellectual property rights or other property rights in relation to these technical achievements shall belong to the Company in all respects. Throughout the term of the disclosure obligation, the employee is obliged to take all required actions to assist the Company in maintenance of any rights relevant to such achievements.

- *Restrictive obligations.* The employee shall not utilize on his or her own, allow any third parties to utilize, apply for local or foreign patents, or transfer the right to apply for patent to any third parties, for the technical achievements that are result of his or her employment without prior approval in writing by the Company.

- *Technical achievements not result of employment.* The employee shall declare in writing to and seek confirmation from the Company on any technical achievements he or she is in the opinion that are not result of his or her employment. Once such confirmation is received, the employee shall personally own the intellectual property rights to such achievements, but shall not apply for local or foreign patents for such without the Company's written approval.

Non-competition

- *Non-competition obligation.* Within two years from the date of an employee's departure, he shall not engage in any business that competes with the Company, nor shall he have any competitive relationship with the Company or other interests. He shall not directly or indirectly hold equity of any company that has a competitive relationship with the Company in any form.

- *Non-competition compensation*. Within the non-competition period, the Company shall pay the employee a monthly non-competition compensation from the date of the departure of the employee. The amount of compensation shall be 30% of their monthly average salary in the 12 months immediately preceding the termination or expiration of the employment contract.

- *Violation of agreement.* In the event that the employee violates the terms of the non-competition agreement, he shall fully refund the non-competition restriction and pay a further penalty to the Company. The Company shall have the right to request further compensation if liquidated damages are not sufficient.

DIRECTORS' REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information – Further Information about Our Directors – Particulars of Directors' service contracts and appointment letters" in Appendix IV.

The aggregate amount of remuneration (including short term benefits, retirement benefit scheme contributions and share based payment) for our Directors for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018 was approximately RMB6.8 million, RMB7.7 million and RMB19.2 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

The aggregate amount of remuneration for the five highest paid individuals of our Group for the financial years ended December 31, 2016 and 2017 and the six months ended June 30, 2018 was approximately RMB13.8 million, RMB18.4 million and RMB33.8 million respectively, whose remunerations are included in the short term benefits, retirement benefit scheme contributions and share based payment we paid to the relevant Director set out above.

For the financial years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, the aggregate amount of remuneration (including salaries and other allowances, performance related bonus, share-based payment expense and retirement benefits scheme) for the remaining four highest paid individuals who are neither a Director nor chief executive of our Group were RMB7.7 million, RMB11.4 million and RMB15.0 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises two independent non-executive Directors and one non-executive Director, namely Ms. Joyce I-yin Hsu, Mr. Shuyun Chen and Dr. Kaixian Chen. Ms. Hsu, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises Ms. Joyce I-yin Hsu, Dr. De-Chao Michael Yu and Dr. Kaixian Chen. Ms. Hsu is the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises Dr. De-Chao Michael Yu, Dr. Kaixian Chen and Dr. Charles Leland Cooney. Dr. Yu is the chairman of the committee.

Strategy Committee

We have established a strategy committee in order to monitor the strategy and business planning of our Company. The primary duties of the strategy committee are to provide overall strategic oversight and to review the execution of business plans and performance indicators of the Group. The strategy committee comprises Dr. De-Chao Michael Yu, Dr. Charles Leland Cooney, Mr. Shuyun Chen and Mr. Ronald Hao Xi Ede. Dr. Yu is the chairman of this committee.

Corporate Governance Code

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have separate chairman and chief executive officer and Dr. Yu currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code (other than the code provision A.2.1 mentioned above) after the Listing.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date.

COMPETITION

Each of our Directors confirms that, as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and that disclosure is required under Rule 8.10 of the Listing Rules.

FUTURE PLANS

See the section headed "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$2,952.4 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$13.25 per Offer Share, being the mid-point of the indicative Offer Price range of HK$12.50 to HK$14.00 per Offer Share in this prospectus. We intend to use the net proceeds we will receive from this offering for the following purposes:

- 65% allocated to our four core products as follows:

  (i) 52% of net proceeds, or approximately HK$1,535.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of sintilimab (IBI-308). We do not plan to conduct head-to-head clinical trials for sintilimab (IBI-308) against any other approved PD-1 antibodies and no proceeds from the Global Offering will be applied for such purpose;

  (ii) 8% of net proceeds, or approximately HK$236.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-305;

  (iii) 4% of net proceeds, or approximately HK$118.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-301; and

  (iv) 1% of net proceeds, or approximately HK$29.5 million, to fund ongoing and planned clinical trials, preparation for registration filings and planned commercial launches (including sales and marketing) of IBI-303.

- 25% of net proceeds, or approximately HK$738.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of the other drug candidates in our pipeline.

- 10% of net proceeds, or approximately HK$295.2 million, for working capital and general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$340.3 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds that the Company will receive will be approximately HK$450.9 million, assuming an Offer Price of HK$13.25 per Share, being the mid-point of the proposed Offer Price range. The Company may be required to issue up to an aggregate of 35,452,000 additional Shares pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities or designated banks are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all, as PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See the section headed "Risk Factors – Risk Relating to Our Doing Business in China."

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Goldman Sachs (Asia) L.L.C.
J.P. Morgan Securities (Asia Pacific) Limited
China Merchants Securities (HK) Co., Limited
Huatai Financial Holdings (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 23,635,000 Hong Kong Offer Shares and the International Offering of initially 212,715,000 International Offering Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on October 16, 2018. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been subsequently revoked prior to the commencement of trading of the Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any event, or series of events, 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, large scale outbreaks of diseases (including, without limitation, SARS, swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms), economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, 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 (whether or not responsibility has been claimed) in or affecting Hong Kong, Singapore, Japan, the PRC, the Cayman Islands, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(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 Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Singapore Stock Exchange;

(iv) any general moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions (declared by the relevant authorities) or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the HK dollar is linked to that of the US dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions adversely affecting an investment in the Offer Shares;

(viii) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, any Application Forms or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(ix) resignation of the chairman or Chief Executive Officer of the Company or any Directors of the Company;

(x) any executive Director or senior management as disclosed in this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of the Company;

(xi) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

(xii) any order or petition for the involuntary winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the voluntary winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

(xiii) any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group;

(xiv) any contravention by the Company or any member of the Group of any applicable laws and regulations including the Listing Rules;

(xv) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole;

(2) has or will have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) has or will have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators that:

(i) any statement contained in this prospectus, the Application Forms, the formal notice, among others, and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering and the Global Offering (including any supplement or amendment thereto (the "**Offer-Related Documents**") but excluding the following information relating to the Underwriters for use in the

Offer-Related Documents, namely, the marketing name, legal name, logo and address of such Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents;

(iii) there is a breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement, as applicable;

(iv) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(v) there is any material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole;

(vi) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any material respect, any of the warranties given by the Company or Dr. De-Chao Michael Yu in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vii) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued upon the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

(viii) any person has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(x) there is a prohibition by a competent authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering and the Over-allotment Option or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

The Company has undertaken to each of the Hong Kong Underwriters, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Joint Sponsors not to and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors (on behalf of the Joint Global Coordinators and Hong Kong Underwriters) and unless in compliance with the requirements of 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 Listing Date (the "**First Six-Month Period**"):

(i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, 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, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any Shares or other securities of such other member of the Group, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of such other member of the Group, as applicable) or deposit any Shares or other securities of the Company or any Shares or other securities of such other member of the Group, as applicable with a depositary in connection with the issue of depositary receipts;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company or any Shares or other securities of such other member of the Group, as applicable, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or any Shares of such other member of the Group, as applicable);

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above, in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or Shares or other securities of such other member of the Group, as applicable, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any such transactions specified in paragraphs (i), (ii) or (iii) above or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

(B) Undertakings by the Founder

Dr. De-Chao Michael Yu (the "**Founder**") has undertaken to the Company, the Hong Kong Underwriters, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Joint Sponsors that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors (on behalf of the Joint Global Coordinators and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) during the First Six-Month Period, he will not, and will procure that the relevant entities through which the Founder has a beneficial interest, whether direct or indirect will not:

(i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either

directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of such other member of the Group, as applicable) beneficially owned by him as of the Listing Date (the "**Locked-up Securities**");

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities;

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to or publicly disclose that he will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period).

Hong Kong Underwriters' interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company and the Founder expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to

subscribe for, their respective applicable proportions of the International Offering Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering – The International Offering."

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 35,452,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering – Over-allotment Option."

Undertakings by Certain Existing Shareholders of the Company

Under the current arrangements, all existing shareholders will be subject to lock-up arrangements at the time of Listing.

Under the Right of First Refusal and Co-Sale Agreement

For details of the lock-up undertakings of the Relevant Ordinary Shareholders, please refer to the "History, Development and Corporate Structure – Further terms of the Pre-IPO Investments" section.

Under the Pre-IPO Investments

Our Pre-IPO Investors (the "**Covenantors**") have entered into lock-up arrangements pursuant to the Investors' Rights Agreement, whereby each Convenator agreed that it will not, without the prior written consent of the Underwriters, during the period commencing on the date of this prospectus and ending on the date specified by the Company and the Underwriters (such period not to exceed 180 days in the case of the Listing):

(a) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly)

for Shares that are owned by such Covenantor immediately prior to the date of this prospectus relating to the Listing (subject to consent of the Underwriters and the requirement of the competent governmental authorities over the Listing); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities,

whether any such transaction described in (a) or (b) above is to be settled by delivery of Shares or other securities, in cash, or otherwise.

Under lock-up undertakings

Chen Keqin, Kent Stephen Iverson, Donald Franklin Gerson, Kevin Kai Wen Yang, Wei Li, Kwan Chat Ming, Gloria Bingqinzi Yu and Great Biono Fortune LP, before the completion of the Global Offering will, prior to the Listing Date, undertake to the Company and the Joint Global Coordinators (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters) that except as may be required by applicable law or regulation or with the prior written consent of the Company and the Joint Global Coordinators, he/she/it will not and will procure that no company controlled by him/her/it or any nominee or trustee holding in trust for him/her/it will, at any time during the period commencing on the date of this Prospectus, and ending on a date which is six months from the date on which trading in the Shares commences on the Stock Exchange (the "**Lock-up Period**"):

(a) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) held by him/her/it immediately following completion of the Global Offering (the "**Investor Shares**");

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Investor Shares;

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer to or contract to or agree to or publicly disclose that he/she/it will or may enter into any transaction described in (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period), provided that the above restrictions do not apply to Shares acquired by him/her/it subsequent to the completion of the Global Offering and will not prevent him/her/it from using the Shares beneficially owned by him/her/it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan provided that (i) he/she/it immediately informs the Company and the Joint Global Coordinators of such pledge or charge together with the number of Shares so pledged or charged, and (ii) the person making such loan undertakes to be bound by the restrictions on disposal herein during the Lock-up Period and which restrictions shall apply to any disposal of the Investor Shares on exercise of any enforcement action or foreclosure following a default under such loan.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$13.25 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$125.3 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$179.3 million (assuming an Offer Price of HK$13.25 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

The Company and the Founder have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of the Company and the Founder of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilization Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited, China Merchants Securities (HK) Co., Limited and Huatai Financial Holdings (Hong Kong) Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

236,350,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 23,635,000 Shares (subject to reallocation) in Hong Kong as described in the sub-section "The Hong Kong Public Offering" in this section below; and

(b) the International Offering of initially 212,715,000 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the sub-section headed "The International Offering" this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offering Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 21.1% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. If the Over-allotment Option is exercised in full, the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 23.6% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 23,635,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.1% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong 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 and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 11,817,500 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 70,905,000 Offer Shares (in the case of (a)), 94,540,000 Offer Shares (in the case of (b)) and 118,175,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option), reallocation being referred to in this prospectus as "Mandatory Reallocation". 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.

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 23,635,000 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 47,270,000 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$12.50 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 Tuesday, October 30, 2018.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offering Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$14.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$7,070.54 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" in this section below, is less than the Maximum Offer Price of HK$14.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 212,715,000 Shares, representing 90.0% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 19.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States 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 that 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 sub-section 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 its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection "The Hong Kong Public Offering – Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 35,452,000 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.1% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If 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, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent 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, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilization Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilization Manager (or any person acting for it) and in what the Stabilization Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate settlement of the over-allocations under the International Offering, if any, the Stabilization Manager, its affiliates or any person acting for it, is expected to enter into the Stock Borrowing Agreement with Dr. De-Chao Michael Yu (the "**Lender**") pursuant to which the Lender shall, if so requested by the Stabilization Manager, its affiliates or any person acting for it, make available to Stabilization Manager, its affiliates or any person acting for it, up to 35,452,000 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 Stabilization 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 Lender or his 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 Lender by the Stabilization Manager, its affiliates or any person acting for it, in relation to such borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilization Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilization Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilization Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Thursday, November 22, 2018, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) 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, or investors in, the Offer Shares.

The 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 Stabilization Manager (or any person acting for it) may cover such over-allocations, among other methods, by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, October 23, 2018 and, in any event, no later than Tuesday, October 30, 2018, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$14.00 per Offer Share and is expected to be not less than HK$12.50 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$14.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$7,070.54 for one board lot of 500 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

STRUCTURE OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the 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, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause 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 Company and the Stock Exchange at **www.innoventbio.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price Range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on or before Tuesday, October 30, 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 terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.innoventbio.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, October 31, 2018, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, October 31, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, October 31, 2018.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 1801.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, October 18, 2018 until 12:00 noon on Tuesday, October 23, 2018 from:

(i) any of the following offices of the Joint Bookrunners:

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

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

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House,
8 Connaught Road Central,
Central,
Hong Kong

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

Huatai Financial Holdings (Hong Kong) Limited
Room 5801-05, 58/F, The Center
99 Queen's Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road
Central
Hong Kong

(ii) any of the following branches of the receiving banks:

(a) Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories

(b) CMB Wing Lung Bank Limited

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F, CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, October 18, 2018 until 12:00 noon on Tuesday, October 23, 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 BANK OF CHINA (HONG KONG) NOMINEES LIMITED – INNOVENT BIOLOGICS PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, October 18, 2018 – 9:00 a.m. to 5:00 p.m.
Friday, October 19, 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, October 20, 2018 – 9:00 a.m. to 1:00 p.m.
Monday, October 22, 2018 – 9:00 a.m. to 5:00 p.m.
Tuesday, October 23, 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, October 23, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **WHITE Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any 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) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund 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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **WHITE Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who Can Apply" section, may apply through the **WHITE Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **WHITE Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website. you authorise the **WHITE Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **WHITE Form eIPO** service.

Time for Submitting Applications under the WHITE Form eIPO

You may submit your application to the **WHITE Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, October 18, 2018 until 11:30 a.m. on Tuesday, October 23, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, October 23, 2018 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **WHITE Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **WHITE Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **WHITE Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **WHITE Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Environmental Protection

The obvious advantage of **WHITE Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **WHITE Form eIPO** Service Provider, will contribute HK$2 for each "Innovent Biologics, Inc." **WHITE Form eIPO** application submitted via the **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling telephone number 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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (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 the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, October 18, 2018 – 9:00 a.m. to 8:30 p.m.
Friday, October 19, 2018 – 8:00 a.m. to 8:30 p.m.
Saturday, October 20, 2018 – 8:00 a.m. to 1:00 p.m.
Monday, October 22, 2018 – 8:00 a.m. to 8:30 p.m.
Tuesday, October 23, 2018 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, October 18, 2018 until 12:00 noon on Tuesday, October 23, 2018 (24 hours daily, except on Tuesday, October 23, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, October 23, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, October 23, 2018, the last day for applications, or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" below.

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 the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being 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 **White Form eIPO** service in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the 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).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, October 23, 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 Tuesday, October 23, 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", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, October 30, 2018 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.innoventbio.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 the Company's website at **www.innoventbio.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, October 30, 2018;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, October 30, 2018 to 12:00 midnight on Monday, November 5, 2018;

- by telephone enquiry line by calling 28628669 between 9:00 a.m. and 10:00 p.m. from Tuesday, October 30, 2018 to Friday, November 2, 2018;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, October 30, 2018 to Thursday, November 1, 2018 at all the receiving bank designated branches referred to above.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Joint Global Coordinators believe 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$14.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, October 30, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the Maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the Maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on 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 Tuesday, October 30, 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. Wednesday, October 31, 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 the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, October 30, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, October 30, 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 Tuesday, October 30, 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 Tuesday, October 30, 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*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, October 30, 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 White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, October 30, 2018, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not 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 Tuesday, October 30, 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 despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, October 30, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, October 30, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, October 30, 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 Tuesday, October 30, 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 Tuesday, October 30, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-68, 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 Innovent Biologics, Inc., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited and China Merchants Securities (HK) Co., Limited

Introduction

We report on the historical financial information of Innovent Biologics, Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-68, which comprises the consolidated statements of financial position of the Group as at 31 December 2016 and 2017 and 30 June 2018, the statements of financial position of the Company as at 31 December 2016 and 2017 and 30 June 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 31 December 2017 and the six months ended 30 June 2018 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-68 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 October 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 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, true and fair view of the Group's financial position as at 31 December 2016 and 2017 and 30 June 2018, the Company's financial position as at 31 December 2016 and 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividend has been paid by the Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 October 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 consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The currency of the primary economic environment in which the group entities operate is Renminbi ("RMB"). The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		Six months ended 30 June	
		2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	–	18,538	10,000	4,436
Other income	*7*	33,307	64,406	4,534	7,892
Other gains and losses	*8*	(81,931)	(42,079)	2,181	498,966
Research and development expenses		(384,653)	(611,922)	(225,386)	(420,040)
Administrative expenses		(52,875)	(79,490)	(29,152)	(73,108)
Business development expenses		(4,505)	(8,278)	(3,067)	(10,094)
Listing expenses		–	–	–	(32,740)
Finance costs	*9*	(53,799)	(57,225)	(28,388)	(32,908)
Loss and total comprehensive expenses for the year/period		(544,456)	(716,050)	(269,278)	(57,596)
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to:					
Owners of the Company		(504,204)	(562,318)	(206,955)	43,894
Non-controlling interests		(40,252)	(153,732)	(62,323)	(101,490)
		(544,456)	(716,050)	(269,278)	(57,596)
(Loss) earnings per share	*14*				
Basic (RMB Yuan)		(6.57)	(5.96)	(2.38)	0.30
Diluted (RMB Yuan)		(6.57)	(5.96)	(2.38)	(1.17)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2016 RMB'000	2017 RMB'000	At 30 June 2018 RMB'000
Non-current assets				
Property, plant and equipment	*15*	771,880	761,818	782,912
Prepaid lease payments	*16*	55,338	54,090	53,466
Deposits for acquisition of property, plant and equipment		16,957	60,020	100,029
Other receivables and tax recoverables	*19*	100,875	135,533	119,772
		945,050	1,011,461	1,056,179
Current assets				
Inventories	*18*	36,631	57,722	48,980
Deposits, prepayments and other receivables	*19*	23,756	53,762	1,702,075
Contract assets	*20*	–	–	3,537
Income tax recoverables		13,874	13,068	13,233
Other financial assets	*21*	782,250	809,484	181,408
Prepaid lease payments	*16*	1,248	1,248	1,248
Bank balances and cash	*22*	1,012,991	510,471	1,887,114
		1,870,750	1,445,755	3,837,595
Current liabilities				
Trade payables	*23*	21,198	34,836	36,639
Other payables and accrued expenses	*24*	55,001	122,540	1,723,543
Contract liabilities	*25*	–	900	–
Borrowings	*26*	–	5,000	10,000
		76,199	163,276	1,770,182
Net current assets		1,794,551	1,282,479	2,067,413
Total assets less current liabilities		2,739,601	2,293,940	3,123,592
Non-current liabilities				
Contract liabilities	*25*	292,188	348,765	443,435
Borrowings	*26*	500,000	505,000	687,000
Government grants	*27*	9,799	11,211	16,916
Other financial liabilities	*28*	2,895,832	3,051,092	3,550,116
		3,697,819	3,916,068	4,697,467
Net liabilities		(958,218)	(1,622,128)	(1,573,875)
Capital and reserves				
Share capital	*29*	6	8	14
Reserves		(1,383,930)	(1,942,556)	(1,573,889)
Equity attributable to owners of the Company		(1,383,924)	(1,942,548)	(1,573,875)
Non-controlling interests		425,706	320,420	–
Deficiency of total equity		(958,218)	(1,622,128)	(1,573,875)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At 31 December 2016	2017	At 30 June 2018
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investment in a subsidiary	*17*	1,827,891	1,924,889	1,046,922
Other receivables	*19*	7,802	–	–
Amount due from a subsidiary	*31*	–	–	992,490
		1,835,693	1,924,889	2,039,412
Current assets				
Other receivables	*19*	–	29,093	1,606,480
Amount due from a subsidiary	*31*	540	646	650
Bank balances	*22*	61,693	41,238	34,415
		62,233	70,977	1,641,545
Current liabilities				
Trade payables	*23*	–	2,597	11
Other payables and accrued expenses	*24*	782	1,518	40,018
		782	4,115	40,029
Net current assets		61,451	66,862	1,601,516
Total assets less current liabilities		1,897,144	1,991,751	3,640,928
Non-current liability				
Other financial liabilities	*28*	2,180,623	2,288,836	3,550,116
Net (liabilities) assets		(283,479)	(297,085)	90,812
Capital and reserves				
Share capital	*29*	6	8	14
Reserves	*39*	(283,485)	(297,093)	90,798
(Deficiency of) total equity		(283,479)	(297,085)	90,812

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000 (note)*	Share-based payment reserve *RMB'000*	Accumulated (losses) profit *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2016	4	2,614	(44,391)	11,232	(425,604)	(456,145)	26,213	(429,932)
Loss and total comprehensive expenses for the year	–	–	–	–	(504,204)	(504,204)	(40,252)	(544,456)
Issuance of ordinary shares *(note 29e)*	–	100	–	–	–	100	–	100
Issuance of restricted shares *(note 29d)*	1	7,258	–	–	–	7,259	–	7,259
Recognition of equity-settled share based payment	–	–	(799)	8,400	–	7,601	799	8,400
Exercise of share options *(note 29f)*	1	971	–	(561)	–	411	–	411
Subsidiary's ordinary share issued to non-controlling interests	–	–	799,997	–	–	799,997	438,946	1,238,943
Effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the Company's redeemable convertible preferred shares ("Preferred Shares")	–	–	(1,238,943)	–	–	(1,238,943)	–	(1,238,943)
At 31 December 2016	6	10,943	(484,136)	19,071	(929,808)	(1,383,924)	425,706	(958,218)
Loss and total comprehensive expenses for the year	–	–	–	–	(562,318)	(562,318)	(153,732)	(716,050)
Issuance of restricted shares *(note 29g)*	2	22,843	–	–	–	22,845	–	22,845
Recognition of equity-settled share based payment	–	–	(6,892)	29,295	–	22,403	6,892	29,295
Vesting of restricted shares	–	20,422	–	(20,422)	–	–	–	–
Subsidiary's ordinary share issued to non-controlling interests	–	–	62,693	–	–	62,693	41,554	104,247
Effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the Company's Preferred Shares	–	–	(104,247)	–	–	(104,247)	–	(104,247)
At 31 December 2017	8	54,208	(532,582)	27,944	(1,492,126)	(1,942,548)	320,420	(1,622,128)

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000 (note)*	Share-based payment reserve *RMB'000*	Accumulated (losses) profit *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2018								
At 1 January 2018	8	54,208	(532,582)	27,944	(1,492,126)	(1,942,548)	320,420	(1,622,128)
Profit (loss) and total comprehensive income (expenses) for the period	–	–	–	–	43,894	43,894	(101,490)	(57,596)
Issuance of ordinary shares *(note 29i)*	–	190	–	–	–	190	–	190
Recognition of equity-settled share based payment	–	–	(8,192)	41,785	–	33,593	8,192	41,785
Vesting of restricted shares	–	324	–	(324)	–	–	–	–
Exercise of share options *(note 29h)*	6	124,046	–	(60,178)	–	63,874	–	63,874
Exercise of put option granted to non-controlling shareholders and convert their equity interests in a subsidiary to the Company's Preferred Shares	–	–	227,122	–	–	227,122	(227,122)	–
At 30 June 2018	14	178,768	(313,652)	9,227	(1,448,232)	(1,573,875)	–	(1,573,875)
For the six months ended 30 June 2017 (unaudited)								
At 1 January 2017	6	10,943	(484,136)	19,071	(929,808)	(1,383,924)	425,706	(958,218)
Loss and total comprehensive expenses for the period	–	–	–	–	(206,955)	(206,955)	(62,323)	(269,278)
Issuance of restricted shares *(note 29g)*	2	22,843	–	–	–	22,845	–	22,845
Recognition of equity-settled share based payment	–	–	(1,853)	7,876	–	6,023	1,853	7,876
Vesting of restricted shares	–	4,957	–	(4,957)	–	–	–	–
Subsidiary's ordinary share issued to non-controlling interests	–	–	62,693	–	–	62,693	41,554	104,247
Effect of put option granted to non-controlling shareholders to convert their equity interests in subsidiary to the Company's Preferred Shares	–	–	(104,247)	–	–	(104,247)	–	(104,247)
At 30 June 2017 (unaudited)	8	38,743	(527,543)	21,990	(1,136,763)	(1,603,565)	406,790	(1,196,775)

Note: Other reserve included 1) effect of put option granted to non-controlling shareholders to convert their equity interests in a subsidiary to the Company's Preferred Shares; 2) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of issuance of subsidiary's equity and the relevant proceeds received; 3) portion of deemed capital contribution over restricted shares or options granted to employees of subsidiary attributable to non-controlling interest and 4) effect of exercise of put option granted to non-controlling shareholders.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES				
Loss for the year/period	(544,456)	(716,050)	(269,278)	(57,596)
Adjustments for:				
Loss on disposal of property, plant and equipment	–	–	–	3,405
Depreciation of property, plant and equipment	53,347	59,853	29,098	30,491
Amortisation of prepaid lease payments	1,248	1,248	624	624
Net foreign exchange (gain) loss	(23,264)	29,270	7,118	(51,204)
Gain on fair value changes of wealth management plans (financial assets mandatorily measured at fair value through profit or loss ("FVTPL")	(18,002)	(38,204)	(10,141)	(2,370)
Loss (gain) on fair value changes of other financial liabilities measured at FVTPL	123,197	51,013	842	(448,797)
Share-based payment expenses	8,500	29,295	7,876	41,975
Government grants income	(951)	(1,089)	(544)	(545)
Bank interest income	(4,540)	(7,982)	(3,873)	(6,068)
Interest on bank borrowings	26,530	24,908	12,318	12,430
Interest arising from a contract which contains significant financing component	27,269	32,317	16,070	20,478
Operating cash flows before movements in working capital	(351,122)	(535,421)	(209,890)	(457,177)
Increase in contract assets	–	–	–	(3,537)
(Increase) decrease in inventories	(20,994)	(21,091)	(867)	8,742
Increase in deposits, prepayments and other receivables	(49,686)	(40,146)	(50,953)	(62,769)
Increase in trade payables	10,355	13,638	7,275	1,803
Increase in other payables and accrued expenses	16,164	77,965	3,792	97,121
Increase in contract liabilities	28,882	25,160	2,640	73,292
Increase (decrease) in government grants	3,408	(12,375)	–	–
NET CASH USED IN OPERATING ACTIVITIES	(362,993)	(492,270)	(248,003)	(342,525)
INVESTING ACTIVITIES				
Interest received	4,217	4,755	2,133	8,069
Placement of term deposits with maturity dates over three months	(50,000)	(326,710)	(392,052)	(286,362)
Placement of pledged term deposits	–	–	–	(498)
Purchase of property, plant and equipment	(58,444)	(90,971)	(4,695)	(93,470)
Purchase of other financial assets	(767,000)	(790,000)	(910,000)	(330,000)
Release of term deposits with maturity dates over three months	5,000	50,000	50,000	260,544
Proceeds on release of other financial assets	290,148	800,970	745,711	960,446
Proceeds from disposal of property, plant and equipment	–	–	–	74
Receipt of government grants related to property, plant and equipment	4,000	2,500	–	6,250
Loan to Hua Yuan International Limited ("Hua Yuan")	–	–	–	(178,598)
Net cash inflow on acquisition of Oriza Xinda International Limited ("Oriza Xinda")	–	–	–	178,598
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(572,079)	(349,456)	(508,903)	525,053

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
FINANCING ACTIVITIES				
Interest paid	(26,599)	(24,841)	(12,386)	(14,183)
Proceeds from the issue of subsidiary's ordinary shares and written put options over a subsidiary	1,238,943	104,247	104,247	–
Proceeds from the issue of the Company's Preferred Shares	427,262	–	–	947,821
Payments on repurchase of shares	(1)	–	–	–
New borrowing raised	–	10,000	–	187,000
Payment of transaction costs attributable to issue of new shares	–	–	–	(745)
NET CASH FROM FINANCING ACTIVITIES	1,639,605	89,406	91,861	1,119,893
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	704,533	(752,320)	(665,045)	1,302,421
Effects of exchange rate changes	22,386	(26,910)	(6,283)	47,906
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	236,072	962,991	962,991	183,761
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD *(note 22)*	962,991	183,761	291,663	1,534,088

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 April 2011. The respective address of the registered office and principal place of business of the Company are stated at the "Corporate Information" section of the Prospectus.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in research and development of antibody and protein medicine products, sale of self-made products, and provision of related technology transfer, consultation and services.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs issued by the IASB.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has consistently applied the accounting policies which conform with the IFRSs, which are effective for the Group's accounting period beginning on 1 January 2018 throughout the Relevant Periods.

In addition, the Group has applied Amendments to IFRS 9 Prepayment Feature with Negative Compensation in advance of the effective date, i.e. January 2019.

At the date of this report, the following new and amendments to IFRSs and interpretation have been issued but not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 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 IFRS standards 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of the Company anticipate that the application of all the other new and amendments to IFRS and Interpretations will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Group's Historical Financial Information.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group.

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.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately RMB20,256,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In additions, the Group currently considers refundable rental deposits paid of approximately RMB2,213,000 (note 19) as at 30 June 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 amortised 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 in changes in measurement, presentation and disclosure as indicated above.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting periods, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment,* leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owner of the Company.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Investments in a subsidiary

Investments in a subsidiary are included in the statements of financial position at cost less any identified impairment losses.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

(a) License fee income

The Group provides license of its patented intellectual property ("IP") or commercialisation license to customers and revenue is recognised when the customers obtain rights to use the underlying IP or license. The consideration for licence comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties). The upfront fee is recognised as revenue when customers have ability to use the underlying IP of the licence. Development milestones is recognised as revenue when the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue. Sales based royalties are not included in the transaction price until customers makes sales.

A promised amount of consideration is adjusted for the effects of the time value of money if the timing of payments agreed by the parties of the contract provides the customer or the entity with a significant benefit of financing the transfer of services to the customers.

(b) Research and development service fee income

The Group primarily earns revenues by providing research services to its customers through fee-for-service contracts. Contract duration ranges from a few months to years. Upfront payments received by the Group is initially recognised as a contract liability. Services revenue are recognised as a performance obligation satisfied over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group using cost incurred to date as an input method to measure progress towards complete satisfaction of these performance obligations under IFRS 15. Payment for services is not due from the customer until the development are completed and therefore a contract asset is recognised over the period in which the services are performed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an 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 recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs are recognised in profit or loss for the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised 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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options 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 determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

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 equity instruments granted, 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 recognised 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 Relevant Periods. Taxable profit differs from "loss before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income as directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties under construction for production, supply or administrative purposes are carried at cost which includes professional fees, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Raw materials acquired for usage in research and development activities and for the production of trial batches for the research and development stage are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less estimated costs necessary to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is changed to development expenses when they are produced.

Financial instruments

Financial assets and financial liabilities are recognised 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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised 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 amortised 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.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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 fair value through profit or loss ("FVTPL").

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

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 amortised 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 amortisation 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 amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. 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 recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised 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 amortised cost or 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 amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised 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 recognising 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 at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

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. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised 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 always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises 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 twelve-months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-months ECL ("12m ECL") represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve 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 organisations, 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 amortised 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

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 recognised 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 (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 twelve-months ECL at the current reporting date.

The Group recognises 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 and does not reduce the carrying amount of the financial asset in the statements of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination 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.

Preferred Shares, which contained redemption features and other embedded derivatives, are designated as at financial liabilities 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 'other gains and losses' 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 recognised 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 recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. 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 amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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 recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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 as set out in note 28 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 instrument 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development costs 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. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalization. During the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018, all development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Useful lives of property, plant, and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As at 31 December 2016 and 2017 and 30 June 2018, the carrying amounts of property, plant and equipment are approximately RMB772 million, RMB762 million and RMB783 million, respectively as disclosed in note 15.

Fair value of other financial liabilities

The Company has issued Preferred Shares and has written put options over a subsidiary's ordinary shares to a group of investors during the Relevant Period as set out in note 28. The Group classified these financial instruments as other 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 other financial liabilities at FVTPL. The fair value of the other financial liabilities at FVTPL as at 31 December 2016 and 2017 and 30 June 2018 are RMB2,896 million, RMB3,051 million and RMB3,550 million, respectively.

6. REVENUE AND SEGMENT INFORMATION

Collaboration with Eli Lilly and Company ("Eli Lilly")

In March 2015, the Group entered into Exclusive License and Collaboration Agreement for China and Co-Development Agreement (collectively, the "Lilly China Agreement") with Eli Lilly, which governs the development and commercialization activities concerning (1) IBI-301, a Rituxan biosimilar, and (2) sintilimab (IBI-308), a Programmer Death 1 monoclonal antibody (collectively, the "China Products") in the People's Republic of China ("PRC"), including Hong Kong and Macau, but excluding Taiwan. Under the Lilly China Agreement, the Group will be responsible for developing and manufacturing each of the China Products and received an upfront payment of US$36 million (approximately RMB223,855,000). The Group will own all intellectual properties generated in connection with the development of (i) the China Products and (ii) the unique cell lines for the China Products.

The Group granted Eli Lilly an exclusive license (with the right to sublicense) under certain patents, know-how and regulatory approvals to commercialize the China Products in the PRC. The Group also provided Eli Lilly a non-exclusive license to certain trademarks in connection with Eli Lilly's commercialization of the China Products in the PRC and similarly received a non-exclusive license to Eli Lilly trademarks with the right to sublicense in connection with possible commercialization of the China Products. The Group will co-promote IBI-301 and sintilimab (IBI-308) in China per the agreement with Eli Lilly and will share profits and losses pertaining to commercialization of IBI-301 and sintilimab (IBI-308) equally.

Under the Lilly China Agreement, a joint steering committee was established with equal representation from each party to coordinate and oversee development and commercialization activities and decisions for the China Products. In general, the Group have final decision-making authority concerning the development of the China Products and Eli Lilly has final decision-making authority on commercialization decisions following regulatory approval of the China Products except certain decisions over downsizing of development plan or increase the development activities for sintilimab (IBI-308) require unanimous consent.

Revenue will be commenced to recognise over time upon the customer receives and consumes the benefits during the commercialization stage. During each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018, the Group received collaboration fee on development cost sharing of approximately RMB28.9 million, RMB24.3 million, nil (unaudited) and RMB74.2 million, respectively. Since the periods between the transfer of license and customer's payments are, at contract inception, expected to be more than one year, the Group concluded that the contract contains a significant financing component and 11% was used in adjusting for the effect of time value of money over the promised amount of consideration and interest expenses recognised during each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018, amounting to RMB27.3 million, RMB32.3 million, RMB16.1 million (unaudited) and RMB20.5 million, respectively (note 9). Both consideration received and interest expenses recognised are recorded under contract liabilities (note 25) at the end of each reporting period.

License and research and development agreements with a customer

In January 2017, the Group entered into an agreement with a customer for licensing of patented technology to them for development and up-front license fee of RMB10 million was received and upon the Group transfer the control of rights to use of the patented technology to customer, the Group recorded up-front license fee as revenue in 2017.

The Group further entered into research and development agreements with the same customer. During the year ended 31 December 2017 and six months ended 30 June 2017 and 2018, the Group received non-refundable upfront and milestone payments of approximately RMB9.4 million, RMB2.6 million (unaudited) and nil, and recognised revenues of approximately RMB8.5 million, nil (unaudited) and RMB4.4 million in accordance with completion of relevant research and development services.

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Timing of revenue recognition				
At a point in time				
License fee income	–	10,000	10,000	–
Overtime				
Research and development service fee income	–	8,538	–	4,436
	–	18,538	10,000	4,436

For the purpose of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

Substantially all of the Group's operations and non-current assets are located in the PRC. An analysis of the Group's revenue from external customers, analysed by their respective country/region of operation, is detailed below:

Revenue by geographical location

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The PRC	–	18,538	10,000	4,436
	–	18,538	10,000	4,436

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	–	18,538	10,000	4,436

7. OTHER INCOME

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	4,540	7,982	3,873	6,068
Government grants income *(note)*	28,767	56,424	661	1,824
	33,307	64,406	4,534	7,892

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognised over the useful life of the related assets; and (ii) the incentive and other subsidies for research and development activities and interest subsidies, which are recognised upon compliance with the attached conditions.

Fair value gains and losses, as well as investment returns on financial instruments classified as at FVTPL are included in 'other gains and losses' in note 8.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss on disposal of property, plant and equipment	–	–	–	(3,405)
Gain on fair value changes of wealth management plans (financial assets mandatorily measured at FVTPL) *(note 21)*	18,002	38,204	10,141	2,370
(Loss) gain on fair value changes of other financial liabilities measured at FVTPL *(note 28)*	(123,197)	(51,013)	(842)	448,797
Net foreign exchange gain (loss)	23,264	(29,270)	(7,118)	51,204
	(81,931)	(42,079)	2,181	498,966

9. FINANCE COSTS

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank borrowings	26,530	24,908	12,318	14,230
Interest arising from a contract which contains significant financing component *(note 6)*	27,269	32,317	16,070	20,478
Total borrowing costs on financial liabilities that are not at FVTPL	53,799	57,225	28,388	34,708
Less: amounts capitalised in the cost of qualifying assets	–	–	–	(1,800)
	53,799	57,225	28,388	32,908

10. LOSS BEFORE TAX

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before tax has been arrived at after charging:				
Directors' emoluments *(note 11)*	6,756	7,666	2,963	19,497
Other staffs costs:				
Salaries and other allowances	45,119	76,008	35,053	55,622
Performance related bonus	8,421	11,345	5,289	13,008
Retirement benefit scheme contributions	12,779	15,127	7,839	8,157
Share-based payment expenses	4,493	25,653	6,791	25,120
Total staff costs	77,568	135,799	57,935	121,404
Auditors' remuneration	544	417	103	4,913
Amortisation of prepaid lease payments	1,248	1,248	624	624
Depreciation of property, plant and equipment	53,347	59,853	29,098	30,491
Minimum lease payments under operating leases in respect of office premises and staff quarters	2,115	2,383	1,032	2,474

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable to the directors of the Company and the chief executive of the Company by the group entities during the Relevant Periods are as follows:

Year ended 31 December 2016

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. De-Chao Michael Yu ("Dr. Yu")	–	1,633	510	41	3,907	6,091
Non-executive directors:						
Auerbach, Daniel E	–	–	–	–	–	–
Knight, Stephen Christian	–	–	–	–	–	–
Shi, Yi	–	–	–	–	–	–
Cai, Daqing	–	–	–	–	–	–
Shen, Ye	–	–	–	–	–	–
Lu, Simon Dazhong	–	–	–	–	–	–
Zhang, Leidi	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive director:						
Charles L. Cooney	665	–	–	–	–	665
	665	1,633	510	41	3,907	6,756

Year ended 31 December 2017

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. Yu	–	2,348	960	42	3,642	6,992
Non-executive directors:						
Auerbach, Daniel E	–	–	–	–	–	–
Knight, Stephen Christian	–	–	–	–	–	–
Shi, Yi	–	–	–	–	–	–
Cai, Daqing	–	–	–	–	–	–
Shen, Ye	–	–	–	–	–	–
Lu, Simon Dazhong	–	–	–	–	–	–
Zhang, Leidi	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive director:						
Charles L. Cooney	674	–	–	–	–	674
	674	2,348	960	42	3,642	7,666

Six months ended 30 June 2017 (unaudited)

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. Yu	–	1,034	480	21	1,085	2,620
Non-executive directors:						
Auerbach, Daniel E	–	–	–	–	–	–
Knight, Stephen Christian	–	–	–	–	–	–
Shi, Yi	–	–	–	–	–	–
Cai, Daqing	–	–	–	–	–	–
Shen, Ye	–	–	–	–	–	–
Lu, Simon Dazhong	–	–	–	–	–	–
Zhang, Leidi	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive director:						
Charles L. Cooney	343	–	–	–	–	343
	343	1,034	480	21	1,085	2,963

Six months ended 30 June 2018

	Fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:						
Dr. Yu	–	1,414	681	22	16,665	18,782
Ede, Ronald Hao Xi *(note a)*	–	186	206	4	–	396
	–	1,600	887	26	16,665	19,178
Non-executive directors:						
Auerbach, Daniel E *(note b)*	–	–	–	–	–	–
Knight, Stephen Christian *(note b)*	–	–	–	–	–	–
Shi, Yi *(note c)*	–	–	–	–	–	–
Cai, Daqing *(note d)*	–	–	–	–	–	–
Shen, Ye *(note c)*	–	–	–	–	–	–
Lu, Simon Dazhong *(note c)*	–	–	–	–	–	–
Zhang, Leidi *(note c)*	–	–	–	–	–	–
Chen, Shuyun *(note e)*	–	–	–	–	–	–
Wang, Junfeng *(note c and note e)*	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive director:						
Charles L. Cooney	319	–	–	–	–	319
	319	1,600	887	26	16,665	19,497

Notes:

a. Ede, Ronald Hao Xi was appointed as an executive director of the Company on 4 June 2018.

b. Auerbach, Daniel E and Knight, Stephen Christian resigned as non-executive directors of the Company on 9 October 2018.

c. Shi, Yi, Shen, Ye, Lu, Simon Dazhong, Zhang, Leidi and Wang, Junfeng resigned on 16 October 2018.

d. Cai, Daqing resigned as a non-executive director of the Company on 4 April 2018.

e. Chen, Shuyun and Wang, Junfeng were appointed as the non-executive directors of the Company on 31 January 2018 and 4 April 2018, respectively.

The executive director's emoluments shown above were for his services as a director of the Company and the chief executive in connection with the management of the affairs of the Company and Group.

The independent non-executive director emoluments shown above were for his services as a director of the Company.

Dr. Yu is also the chief executive of the Company, and his emoluments disclosed above included those services rendered by him as the chief executive.

Performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year.

Employees

The five highest paid individuals of the Group included one director of the Company for the years ended 31 December 2016 and 2017, six months ended 30 June 2017 (unaudited) and six months ended 30 June 2018 and details of his emoluments are set out above. The emoluments of the remaining 4 individuals for the years ended 31 December 2016 and 2017 and six months ended 30 June 2017 (unaudited) and six months ended 30 June 2018 are as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other allowances	6,398	8,628	4,596	4,865
Performance related bonus	479	1,291	1,291	1,166
Share-based payment expense	791	1,433	647	8,875
Retirement benefits scheme	19	44	21	88
	7,687	11,396	6,555	14,994

The emoluments of these employees (including a director of the Company for the years ended 31 December 2016 and 2017 and six months ended 30 June 2017 (unaudited) and six months ended 30 June 2018) were fell within the following bands:

	Number of individuals Year ended 31 December		Number of individuals Six months ended 30 June	
	2016	**2017**	**2017** (unaudited)	**2018**
HK$1,000,001 to HK$1,500,000	–	–	2	–
HK$1,500,001 to HK$2,000,000	1	–	–	–
HK$2,000,001 to HK$2,500,000	2	2	1	–
HK$2,500,001 to HK$3,000,000	1	–	2	2
HK$4,000,001 to HK$4,500,000	–	1	–	–
HK$4,500,001 to HK$5,000,000	–	1	–	–
HK$5,500,001 to HK$6,000,000	–	–	–	1
HK$7,000,001 to HK$7,500,000	1	–	–	1
HK$7,500,001 to HK$8,000,000	–	1	–	–
HK$23,500,001 to HK$24,000,000	–	–	–	1
	5	5	5	5

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including a director of the Company and employees for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and the six months ended 30 June 2018) as an inducement to joint or upon joining the Group or as compensation for loss of office. No director of the Company has waived or agreed to waive any emoluments during the Relevant Periods.

12. DIVIDENDS

No dividend was paid nor declared by the Company during the Relevant Periods.

13. INCOME TAX EXPENSE

The Company is tax exempt under the laws of the Cayman Islands. Innovent Biologics (HK) Limited ("Innovent HK") is subject to Hong Kong profits tax rate of 16.5% on profits earned in Hong Kong. No provision for taxation has been made as Innovent HK's income neither arises in, nor is derived from, Hong Kong.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%.

信達生物製藥(蘇州)有限公司 Innovent Biologics (Suzhou) Co., Ltd.* ("Innovent Suzhou") has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Jiangsu Province and relevant authorities on 30 November 2016 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by the subsidiary is subject to 15% EIT rate for the Relevant Periods. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years.

The tax charge for the Relevant Periods can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before tax	(544,456)	(716,050)	(269,278)	(57,596)
Tax charge at the PRC EIT rate of 25%	(136,114)	(179,013)	(67,320)	(14,399)
Tax effect of expenses not deductible for tax purpose	32,999	24,197	6,054	17,104
Tax effect of income not taxable for tax purpose	(539)	–	–	(116,425)
Effect of research and development expenses that are additionally deducted *(note)*	(35,212)	(67,457)	–	–
Tax effect of tax losses not recognised	116,694	190,618	46,259	106,744
Tax effect of deductible temporary differences not recognised	22,172	31,655	15,007	6,976
Tax charge for the year/period	–	–	–	–

Note: Pursuant to Caishui [2015] circular No. 119, Innovent Suzhou and 蘇州信達生物科技有限公司 Innovent Biologics Technology (Suzhou) Co., Ltd.* ("Innovent Technology") enjoy super deduction of 150% on qualifying research and development expenditures throughout the Relevant Periods.

* *English name for identification only*

As at 31 December 2016 and 2017 and 30 June 2018, the Group has unused tax losses of approximately RMB638 million, RMB1,391 million and RMB1,818 million, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The unused tax losses will be expired as follow:

	As at 31 December		As at 30 June
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
2017	9,889	–	–
2018	76,038	76,038	76,038
2024	75,849	75,849	75,849
2025	9,633	9,633	9,633
2026	466,776	466,776	466,776
2027	–	762,472	762,472
2028	–	–	426,977
	638,185	1,390,768	1,817,745

As at 31 December 2016 and 2017 and 30 June 2018, the Group has deductible temporary differences mainly related to government grants income and contract liabilities of RMB161 million, RMB288 million and RMB316 million, respectively. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company for the Relevant Periods is based on the following data:

(Loss) earnings figures are calculated as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss) profit				
(Loss) profit for the year/period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(504,204)	(562,318)	(206,955)	43,894
Effect of dilutive potential ordinary shares:				
Gain on fair value change in fair value of Series D Preferred Shares	–	–	–	(466,644)
Loss for the purpose of diluted loss per share	(504,204)	(562,318)	(206,955)	(422,750)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss/ earnings per share	76,794,223	94,310,080	87,104,290	145,822,859
Effect of dilutive potential ordinary share:				
Series D Preferred Shares	–	–	–	214,751,790
Weighted average number of diluted loss/earnings per share	76,794,223	94,310,080	87,104,290	360,574,649

The computation of basic and diluted loss (earnings) per share for each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2017 and 2018 excluded the unvested restricted shares of the Company. Details of these restricted shares are set out in note 30.

The weighted average number of ordinary shares for the purpose of calculating basic loss (earnings) per share for the Relevant Periods has been retrospectively adjusted for the share subdivision as disclosed in note 29.

Diluted earnings per share for the six months ended 30 June 2018 did not assume vesting of restricted shares, conversion of series A, B, C and E Preferred Shares, and exercise of share options, as their inclusion would be anti-dilutive.

Diluted loss (earnings) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had three categories of potential ordinary shares, unvested restricted shares of the Company (note 30), Preferred Shares issued by the Company (note 28) and the shares options awarded under the share incentive plan (the "**Plan**") (note 30). As the Group incurred losses for each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 are the same as basic loss per share of the respective years/period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2016	389,725	7,143	365,841	4,051	2,023	2,710	771,493
Additions	–	–	–	–	1,603	56,177	57,780
Transfer	–	23,006	30,006	3,352	–	(56,364)	–
At 31 December 2016	389,725	30,149	395,847	7,403	3,626	2,523	829,273
Additions	–	711	–	200	–	48,880	49,791
Transfer	–	2,072	31,084	9,069	–	(42,225)	–
At 31 December 2017	389,725	32,932	426,931	16,672	3,626	9,178	879,064
Additions	–	–	–	–	–	55,064	55,064
Transfer	–	2,964	8,373	5,073	–	(16,410)	–
Disposal	–	–	(4,953)	–	(161)	–	(5,114)
At 30 June 2018	389,725	35,896	430,351	21,745	3,465	47,832	929,014
DEPRECIATION							
At 1 January 2016	–	380	1,320	1,325	1,021	–	4,046
Provided for the year	8,396	5,536	37,298	1,544	573	–	53,347
At 31 December 2016	8,396	5,916	38,618	2,869	1,594	–	57,393
Provided for the year	8,396	6,970	41,541	2,336	610	–	59,853
At 31 December 2017	16,792	12,886	80,159	5,205	2,204	–	117,246
Provided for the period	4,198	2,372	21,537	2,089	295	–	30,491
Disposal	–	–	(1,545)	–	(90)	–	(1,635)
At 30 June 2018	20,990	15,258	100,151	7,294	2,409	–	146,102
CARRYING VALUE							
At 31 December 2016	381,329	24,233	357,229	4,534	2,032	2,523	771,880
At 31 December 2017	372,933	20,046	346,772	11,467	1,422	9,178	761,818
At 30 June 2018	368,735	20,638	330,200	14,451	1,056	47,832	782,912

The above items of property, plant and equipment other than construction in progress, are depreciated on a straight-line basis after taking into account of the residual value at the rate per annum as follows:

Buildings	2%
Leasehold improvement	Over the shorter of the term of the lease, or 7%
Plant and machinery	7%-20%
Furniture, fixtures and equipment	10 – 33%
Motor vehicles	25%

All buildings were held under leases in the PRC.

As at 31 December 2016 and 2017 and 30 June 2018, the Group has pledged property, plant and equipment with a net book value of approximately RMB701,395,000, RMB658,282,000 and RMB634,631,000, respectively, to secure borrowings as disclosed in the note 26.

16. PREPAID LEASE PAYMENTS

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Group's prepaid lease payments comprise:			
Land use rights in the PRC	56,586	55,338	54,714
Analysed for reporting purposes as:			
Current asset	1,248	1,248	1,248
Non-current asset	55,338	54,090	53,466
	56,586	55,338	54,714

17. PARTICULARS OF SUBSIDIARIES

The Company

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Innovent HK	1,827,891	1,924,889	1,046,922

During the six months ended 30 June 2018, changes in interest in Innovent HK was attributed by the deemed return of investments pursuant to the execution of the Framework Agreement (as defined in note 28).

During the Relevant Periods and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Shareholding/equity interest attributable to the Company as at 31 December 2016	31 December 2017	30 June 2018	The date of this report	Principal activities	Notes
Directly held:								
Innovent HK	Hong Kong 17 May 2011	Issued capital of HK$10,000 and paid-up capital of HK$10,000	100%	100%	100%	100%	Investing Holding	*(a)*
Indirectly held:								
Innovent Suzhou	PRC 24 August 2011	Registered capital of USD52,464,750 (equivalent to RMB337,611,640) and paid-up capital of USD52,464,750 (equivalent to RMB337,611,640)	77.21%	76.47%	100% *(note 28)*	100%	Research, development and sales of drugs	*(b)*
Innovent Technology	PRC 8 July 2013	Registered capital of RMB40,000,000 and paid-up capital of RMB40,000,000	77.21%	76.47%	100% *(note 28)*	100%	Research, development and sales of drugs	*(b)*
Oriza Xinda	Hong Kong 20 March 2018	Issued Capital of HK$50,000 and paid-up capital of nil	N/A	N/A	100% *(note 28)*	100%	Investing Company	*(c)*

* *English name for identification only*

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

Notes:

(a) The statutory financial statements of Innovent HK for the years ended 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and were audited by W. L. Ho CPA Limited.

(b) The statutory financial statements of Innovent Suzhou and Innovent Technology for the years ended 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 蘇州方本會計師事務所, a certified public accountants registered in the PRC.

(c) No statutory financial statements have been issued for Oriza Xinda as the subsidiary was incorporated on 20 March 2018.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controller interests:

Name of a subsidiary	Place of establishment and place of business	Proportion of ownership interests and voting rights held by non-controlling interests as at			Loss allocated to Non-controlling interests				Accumulated Non-controlling interests as at		
					Year ended 31 December		Six months ended 30 June				
		31 December 2016	31 December 2017	30 June 2018	2016	2017	2017	2018	31 December 2016	31 December 2017	30 June 2018
					RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Innovent Suzhou	PRC	22.79%	23.53%	– *(note)*	(40,252)	(153,732)	(62,323)	(101,490)	425,706	320,420	–

Note: On 1 June 2018, the Group has completed the equity transfer under a framework agreement and non-controlling interests of Innovent Suzhou have become preferred shareholders of the Company (note 28).

Innovent Suzhou and its subsidiary

	At 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
Current assets	1,824,764	1,434,205
Non-current assets	921,539	952,688
Current liabilities	63,587	159,018
Non-current liabilities	814,497	865,875
Equity attributable to		
– Owners of the Company	1,442,513	1,041,580
– Non-controlling interests of Innovent Suzhou	425,706	320,420

	Year ended 31 December		1 January to 30 June	1 January to 1 June
	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	–	18,538	10,000	3,697
Expenses	(423,070)	(672,005)	(274,915)	(435,097)
Loss for the year/period	(423,070)	(653,467)	(264,915)	(431,400)
Loss attributable to owners of the Company	(382,818)	(499,735)	(202,592)	(329,910)
Loss attributable to non-controlling interests of Innovent Suzhou	(40,252)	(153,732)	(62,323)	(101,490)
Loss for the year/period	(423,070)	(653,467)	(264,915)	(431,400)
Net cash outflow from operating activities	(416,482)	(487,407)	(246,189)	(266,606)
Net cash (outflow) inflow from investing activities	(572,079)	(349,455)	(508,903)	549,274
Net cash inflow from financing activities	1,741,317	103,112	105,566	172,225
Effect of exchange rate change	14,821	(25,004)	(5,347)	(1,994)
Net cash inflow (outflow)	767,577	(758,754)	(654,873)	452,899

18. INVENTORIES

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	36,631	57,722	48,980

Inventories consist of raw materials acquired for the production of trial batches.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Rental deposits	688	2,123	2,213
Prepayments	21,610	15,276	20,007
Other receivables	1,458	7,270	6,293
Subscription receivables for restricted shares *(note a)*	7,393	28,684	29,043
Receivables due from directors of the Company and an employee *(note b)*	409	409	71,871
Subscription receivables for Preferred Shares *(note c)*	–	–	1,504,033
Other loans *(note d)*	–	–	21,093
Deferred issue costs	–	–	6,329
Other tax recoverables	93,073	135,533	160,965
	124,631	189,295	1,821,847
Analysed as:			
Non-current	100,875	135,533	119,772
Current	23,756	53,762	1,702,075
	124,631	189,295	1,821,847

Notes:

(a) The balances represents subscription receivables due from various holders of the issuance of restricted shares in which approximately RMB7,294,000, RMB28,585,000 and RMB28,944,000 is due from Dr. Yu, as at 31 December 2016, 31 December 2017 and 30 June 2018 respectively, a director of the Company, which also represents the maximum subscription receivables for restricted share due from him during the respective year/period then ended. As at 31 December 2016, the subscription receivable has been classified as non-current receivables as the directors of the Company expected the subscription receivables will be recovered after twelve months from the report date period. Based on the bonus arrangement as disclosed in note 40(d), the subscription receivables due from the directors of the Company as at 30 June 2018 were subsequently converted to bonuses paid in advance to directors of the Company on 15 October 2018.

(b) As at 31 December 2016 and 2017, the balances amounting to approximately RMB409,000 and RMB409,000 represent the subscription receivables for share options due from Dr. Yu while as at 30 June 2018, receivables amounting to approximately RMB71,871,000 is due from the directors of the Company and an employee who have been accelerated the exercise of the share options and amounts represent the exercise price and other costs paid on behalf of them. As at 31 December 2016, the receivables has been classified as non-current receivables as the directors of the Company expected the receivables will be recovered after twelve months from the report date, while as at 31 December 2017 and 30 June 2018, the directors of the Company expected the receivables will be settled before the initial listing of shares of the Company on the Stock Exchange.

The balances at the end of each reporting period and maximum amount outstanding in respect of the receivables due from the directors of the Company and an employee during the Relevant Periods is as follows:

	Year ended 31 December		Six months ended 30 June
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Directors of the Company			
– Dr. Yu	409	409	58,051
– Ede, Ronald Hao Xi	–	–	12,497
Other employee	–	–	1,323
	409	409	71,871

Based on the bonus arrangement as disclosed in note 40(d), the outstanding receivables due from the directors of the Company as at 30 June 2018 were subsequently converted to bonuses paid in advance to directors of the Company on 15 October 2018.

(c) As at 30 June 2018, approximately RMB1,504,033,000 is due from onshore PRC investors for subscribing Preferred Shares issued by the Company as disclosed in note 28.

(d) On 2 May 2018, pursuant to the board resolution of the compensation committee of the Company, the board of the Company has approved the acceleration of exercise of shares options granted to 12 individuals. Along with the acceleration of share options as details disclosed in note 30(b), 9 individuals have signed separate loan agreements with the Company for onshore loan and Innovent Suzhou for offshore loan for financing their payment on exercising the share options and individual income tax. The loan is interest bearing at 3% to 4% per annum. The loan will be repaid according to the various repayment schedule before May 2022, in which approximately RMB3,122,000 will be repaid within a year and classified as current receivables while the remaining RMB17,971,000 will be repaid after twelve months and classified as non-current receivables.

For the purpose of impairment assessment for subscription receivables for restricted shares, receivables due from share options holders, subscription receivables for Preferred Shares and other loans, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the lifetime ECL allowance is insignificant.

The Company

The balance represents the deferred issue costs, receivables from directors of the Company, other loans and subscription receivables for restricted shares and Preferred Shares as details set out in the note above.

20. CONTRACT ASSETS

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Research and development contract	–	–	3,537

A contract asset is recognised over the period of research and development services performed and represents the entity's right to consideration for the services transferred to date. Contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

There were no impairment losses recognised on any contract asset in the Relevant Periods.

21. OTHER FINANCIAL ASSETS

The Group invested into wealth management plans managed by financial institutions in the PRC.

The principal is either guaranteed or unguaranteed by the relevant financial institutions with an expected return rate as stated in the contract ranging from 3.60% to 4.60% per annum, 2.30% to 5.10% per annum and 2.86% to 5.10% per annum as at 31 December 2016 and 2017 and 30 June 2018, respectively. All investments had maturity date within one year and classified as financial assets at FVTPL.

22. BANK BALANCES AND CASH

The Group

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	546,684	164,075	1,534,556
Term deposits	466,220	346,313	352,528
Cash on hand	87	83	30
	1,012,991	510,471	1,887,114
Analysed as:			
Cash and cash equivalents	962,991	183,761	1,534,088
Term deposits with maturity date between three months to one year	50,000	326,710	352,528
Pledged bank deposits *(note)*	–	–	498
	1,012,991	510,471	1,887,114

Note: Pledged bank deposits represent deposits pledged to the bank to secure banking facilities granted to the Group. As the Group can withdraw these deposits by replacing other pledged items, it is classified as current assets.

Bank balances carry interest at market rates ranging as follows per annum:

	At 31 December		At 30 June
	2016	2017	2018
Term deposits	1.20%-1.82%	2.16%-2.49%	1.35%-4.65%
Cash at bank	0.05%-0.30%	0.05%-0.30%	0.01%-0.39%

The carrying amounts of the Group's term deposits and bank balances and cash denominated in currencies other than functional currencies of the relevant group entities at the end of each reporting period are as follows:

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
USD	483,346	431,647	1,309,499

The Company

The bank balances of the Company carry interest at market rates of 0.01% throughout the Relevant Periods and denominated in USD.

23. TRADE PAYABLES

The Group

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	21,198	34,836	36,639

The credit period on trade purchases is 0 to 60 days. Ageing analysis of the Group's trade payables based on the invoice dates at the end of each reporting period is as follows:

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	20,311	33,853	34,704
31 – 60 days	664	556	849
Over 60 days	223	427	1,086
	21,198	34,836	36,639

The Company

Trade payables balances represent payables for research and development expenses aged less than 30 days.

24. OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Accrued expenses			
– Research and development	11,090	77,115	97,561
– Legal and professional fee	289	1,485	8,136
– Issue costs and listing expenses	–	–	34,412
– Others	3,588	5,955	6,014
	14,967	84,555	146,123
Interest payables	681	748	795
Other payables	4,516	7,192	11,763
Other tax payable	2,398	1,082	26,504
Payables in respect of acquisition of property, plant and equipment	6,970	8,854	8,657
Staff payroll payables	12,960	20,109	25,668
Consideration payable for acquiring non-controlling interests of a subsidiary *(note 28)*	–	–	1,504,033
Government grants *(note 27)*	12,509	–	–
	55,001	122,540	1,723,543

The Company

Balance represents accrued expenses for directors' remuneration, professional fee, issue costs and listing expenses.

25. CONTRACT LIABILITIES

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Amounts received in advance of delivery for research and development services *(note i)*	–	900	–
Amounts received in advance for license to commercialize *(note ii)*	292,188	348,765	443,435
	292,188	349,665	443,435
Analysed by:			
Current	–	900	–
Non-current	292,188	348,765	443,435
	292,188	349,665	443,435

Notes:

(i) Contract liabilities arise if a particular customers' upfront/milestone payments exceeds revenue recognised to date under the cost based input method. Contract liabilities amounted to RMB900,000 as at 31 December 2017 has been recognised as revenue during the six months ended 30 June 2018.

(ii) Revenue relating to license to commercialize is recognised over the commercialisation period, which is expected to commence after one year from the end of reporting periods.

26. BORROWINGS

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Variable-rate bank borrowings – at amortised cost	500,000	510,000	697,000
Analysed as:			
Secured	500,000	500,000	500,000
Unsecured	–	10,000	197,000
	500,000	510,000	697,000
The carrying amounts of the above borrowings are repayable*:			
Within one year	–	5,000	10,000
Within a period of more than one year, but not exceeding two years	5,000	10,000	11,000
Within a period of more than two years but not exceeding five years	50,000	110,000	209,000
Within a period of more than five years	445,000	385,000	467,000
	500,000	510,000	697,000
Less: Amounts due within one year shown under current liabilities	–	5,000	10,000
Amounts shown under non-current liabilities	500,000	505,000	687,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates on the Group's variable-rate borrowings are as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
			(unaudited)	
Effective interest rate:				
Variable-rate borrowings	4.9% to 5.4%	4.9%	4.9%	4.9%

The Group pledged the following assets to secure credit facilities granted to the Group:

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	701,395	658,282	634,631
Land use rights	56,586	55,338	54,714
Pledged bank deposits	–	–	498
	757,981	713,620	689,843

27. GOVERNMENT GRANTS

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Subsidies related to property, plant and equipment *(note a)*	9,799	11,211	16,916
Other subsidies *(note b)*	12,509	–	–
	22,308	11,211	16,916
Less: Amounts shown under current liabilities (included in other payables in note 24)	(12,509)	–	–
	9,799	11,211	16,916

Notes:

a. The Group received government subsidies for capital expenditure incurred for the plant and machineries. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

b. Other subsidies are generally provided in relation to research and development activities of the Group.

28. OTHER FINANCIAL LIABILITIES

The Company entered into share purchase agreements with offshore independent investors and together with Innovent Suzhou, entered into investment agreement and option agreements with onshore investors, and issued five series of Preferred Shares as follows:

	Date of grants	Number of investors	Total number of shares issue	Subscription price per share	Total Consideration *US$'000*	Equivalent to RMB *RMB'000*
Series A	11 October 2011	2	5,000,000	US$1	5,000	31,821
Series B						
– Trench 1	21 June 2012	3	9,090,912	US$2.2	20,000	126,270
– Trench 2	14 November 2012	1	2,272,727	US$2.2	5,000	31,500
– Trench 3	20 May 2013*	1	2,272,727	US$2.2	5,000	31,095
			13,636,366			
Series C						
– Trench 1A	26 December 2014	10	13,617,946	US$7.2375	98,560	604,168
– Trench 1B	26 December 2014*	1	198,963	US$7.2375	1,440	9,032
– Trench 2	17 December 2015	1	2,072,539	US$7.2375	15,000	95,367
			15,889,448			
Series D						
– Trench 1	26 September 2016	9	15,081,805	US$12.2	184,000	1,228,374
– Trench 2	23 December 2016*	4	6,393,374	US$12.2	78,002	542,078
			21,475,179			
Series E						
– Trench 1	31 January 2018	2	6,706,409	US$13.42	90,000	570,051
– Trench 2	4 April 2018	11	4,470,939	US$13.42	60,000	377,771
			11,177,348			

* *Subscribed by onshore PRC investors*

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

Each holder of a series of the Preferred Shares is entitled to receive non-cumulative dividends, out of any funds or assets legally available therefore, prior and in preference to any declaration or payment of any dividend on the ordinary shares or any other class or series of shares of the Company at a rate of eight percent (8%) of the original issue price per share per annum on each Preferred Share, payable and annually when, as and if declared by the board of directors of the Company. No dividend or distribution, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

(b) Conversion feature

Each holders of the Preferred Shares shall have the rights to convert Preferred Shares into ordinary shares at any time after the issuance date into such number of fully paid and non-assessable ordinary shares as determined by dividing the relevant issue price by the then-effective conversion price. The "Conversion Price" shall initially be the Preferred Shares issue price, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment and readjustment (including but not limited to share splits and combinations, capital reorganisation or reclassification, and adjustment upon issuance of new securities for consideration per shares less than Conversion Price, and adjustment upon public offering of the ordinary shares of the Company on Hong Kong Stock Exchange with offering price per ordinary share less than 115% of the series E Conversion Price) from time to time.

All outstanding Preferred Share shall automatically be converted, at the applicable conversion ratio in effect at the time of conversion, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of a qualified initial public offering ("QIPO"), or (ii) the date specified by written consent or agreement approved by all preferred shareholders.

QIPO means a firm commitment underwritten public offering of the ordinary shares of the Company (or depositary receipts or depositary shares therefor) in a recognized exchange, provided that, the newly issued ordinary shares (or depositary receipts or depositary shares therefor) in such public offering shall be widely distributed to the public. Recognized Exchange means any nationally recognized securities exchange (Over-The-Counter Market and National Equities Exchange and Quotations excluded) in the United States, including NASDAQ and New York Stock Exchange, or any other internationally recognized securities exchange (Over-The-Counter Market and National Equities Exchange and Quotations (for the avoidance of doubt, including the National Equities Exchange and Quotations in China) excluded) approved by the majority preferred shareholders.

(c) Redemption feature

Upon the written request of each majority series preferred shareholders, the Company shall redeem the outstanding Preferred Shares, at any time after the earliest of (i) the seventh anniversary of the Series E issue date, and (ii) the date that any other class of equity securities of the Company becomes redeemable, with the written consent of the holders exercising at least a majority of the voting power of their outstanding Preferred Shares, following the order, first to holders of Series E, second to holders of Series D, third to holders of Series C, fourth to holders of Series B and lastly to holders of Series A. Any holder of the Preferred Shares may give a written notice by hand or letter mail or courier service to the Company at its principal executive offices at any time or from time to time requesting redemption of all of their Preferred Shares.

A redemption price shall be paid by the Company to the holders of Preferred Share in an amount equal to (i) the Preferred Shares issue price plus an eleven percent (11%) compounded annual interest, (ii) any declared but unpaid dividends on the share, with the redemption price to be paid on a date to be determined at the discretion of the Company, but in any event within sixty days of the date of the Preferred Share initial redemption notice.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the Preferred Shareholders shall be entitled to received, prior and in preference to any distribution of any of the funds and assets of the Company to the holders of ordinary shares, the liquidation preference amount per share is equal to 100% for Series A and B, 125% for Series C, 110% for Series D and 110% for Series E of the original issues price, plus all declared but unpaid dividends on each series Preferred Share in the following order: first to holders of Series E Preferred Shares, second to holders of Series D Preferred Shares, third to holders of Series C Preferred Shares, fourth to holders of Series B Preferred Shares and lastly to holders of Series A Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets and funds of the Company available for distribution shall be distributed ratably among all holders of the Preferred Shares and ordinary shares according to the relative number of ordinary shares hold by such holders.

(e) Voting rights

Each Preferred Share shall be entitled to such number of votes as equals to the whole number of ordinary shares into which such holder's collective Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Group's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Group's members is first solicited.

Fractional votes shall not be permitted and fractional voting rights available on an as converted basis shall be rounded to the nearest whole number. To the extent that the Statute or the Articles allow a series of the Preferred Shares to vote separately as a class or series with respect to any matters, that series of the Preferred Shares, shall have the right to vote separately as a class or series with respect to such matters.

Investment Arrangement – Onshore PRC Investors

Certain of Series B, Series C and Series D Preferred Shares were issued to onshore PRC investors that the relevant investments were paid into capital of Innovent Suzhou. The Company has entered into additional option agreements with the onshore PRC investors, in which each investor is entitled to options for subscribing the same number of the same series Preferred Shares issued by the Company (subject to anti-dilutive adjustments) ("Share Purchase Options"). The number of the Preferred Shares issuable pursuant to the exercise of the Share Purchase Options shall be subject to (a) any appropriate adjustments for any subsequent share slots, share subdivisions, consolidation or combinations of shares, dividends or distributions of shares or other securities, reclassification, capital reorganization or similar arrangement, as well as merger, consolidation or redemption in accordance with the then applicable Amended and Restated Memorandum and Articles of Association of the Company and (b) any change or adjustment of the equity interest held by such investor pursuant to the investment agreement. The Share Purchase Options can be exercised at any time at the investor's own discretion, provide that the restructuring process for the investor's exercise of such Share Purchase Option complies with all applicable laws. The investors shall exercise their Share Purchase Option upon the Company's initial public offering on a public stock exchange. Innovent HK shall purchase from the investors and the investors shall sell to Innovent (HK), all of the investor's equity interest in Innovent Suzhou at the price equal to the Preferred Shares' purchase price. The investors shall pay the same price to the Company for the subscription of Preferred Shares. The equity transfer and the issuance of the Preferred Shares shall in any event be made and completed by the parties within the following period (the "Waiting Period"): (i) nine months after the date of the Share Purchase Option Notice if the Share Purchase Option Notice is issued within one year after the closing of the investors' investment in Innovent Suzhou; or (ii) six months after the date of the Share Purchase Option Notice if the Share Purchase Option is issued after one year of the closing of the investors' investment in Innovent Suzhou. In the event that the equity transfer and the issuance of the Preferred Shares to the investors fails to be completed by the parties within the Waiting Period, the Company shall purchase from the investors, and the investors shall sell to the Company, all of such investor's equity interest in Innovent Suzhou and such investor's option granted pursuant to the agreement at a price equal to the higher of (i) 100% of the investor's investment amount in Innovent Suzhou plus an annual return at a compound interest rate of 11% calculated from the closing of such investor's investment in Innovent Suzhou to the date of expiration of the Waiting Period or (ii) the Preferred Shares purchase price. The aggregate purchase price of the Preferred Shares upon the exercise of the investor's Share Purchase Option shall be determined by the multiple of the proportion of equity interest held by the investor in Innovent Suzhou upon the exercise of the Share Purchase Option and the fair market value of the Group. The fair market value shall be determined by the investors and the Company in good faith based on book value of the Company according to the latest audited financial statements of the Company, taking into accounting the Company's goodwill, ownership of valuable contractual obligations, cooperation and supply chain. No Share Purchase options has been exercised for the years ended 31 December 2016 and 2017.

On 10 April 2018, Innovent Suzhou, the Company and Innovent HK entered into a framework agreement (the "Framework Agreement") with ten onshore PRC investors to reorganize the group structure in preparation for the Company's IPO. Pursuant to the Framework Agreement, all onshore PRC investors (except China-Singapore Suzhou Industrial Park Ventures Co., Ltd. "CSVC") ("Mainstream PRC Investors") transfer all of their equity interests in Innovent Suzhou to Innovent HK for a total consideration of US$199,440,000 (equivalent to RMB1,277,972,000). Further, the Company entered into a convertible preferred share purchase agreement with each of Mainstream PRC Investors pursuant to which each of them agreed to subscribe the Preferred Shares of the Company accordingly at a total share subscription prices of US$199,440,000 (equivalent to RMB1,277,972,000). The equity transfer and Preferred Shares subscription by the Mainstream PRC investors came into effective on 1 June 2018. With the unsettled consideration, subscription receivables for Preferred Shares amounting to RMB1,319,615,000, which includes an exchange differences of RMB41,643,000 is recognised under deposits, prepayments and other receivables for the six months ended 30 June 2018.

In addition, pursuant to the Framework Agreement, CSVC transferred its relevant holding interest in Innovent Suzhou to Oriza Xinda, a special purpose vehicle, owned by CSVC's subsidiary, Hua Yuan, for a cash consideration of USD27,872,000 (equivalent to RMB178,598,000). The settlement of consideration was financed by a bridge loan provided by Innovent HK to Hua Yuan as such the proceeds was injected to Oriza Xinda as capital subscription. Hua Yuan further transferred its entire interest in Oriza Xinda to Innovent HK at the transfer price equivalent to the bridge loan. Innovent HK then offset the share transfer price against the bridge loan and concurrently Hua Yuan subscribed for 2,272,727 Series B Preferred Shares for a consideration equivalent to the bridge loan. The transactions were completed on 1 June 2018 and Oriza Xinda became a wholly owned subsidiary of Innovent HK. With the unsettled consideration between CSVC and the Company, subscription receivables for Preferred Shares amounting to RMB184,418,000, which includes an exchange difference of RMB5,820,000, is recognised under deposits, prepayment and other receivables, for the six months ended 30 June 2018.

As a result of the above said arrangement pursuant to the Framework Agreement, all Share Purchase Options held by onshore PRC investors have been cancelled and derecognised as at 30 June 2018 and Innovent Suzhou, Innovent Technology and Oriza Xinda have became wholly-owned subsidiaries of the Group.

Presentation and Classification

The Group and the Company have designated the Preferred Shares as whole as financial liabilities measured 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, if any. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the loss on fair value changes of other financial liabilities under the other gains and losses line item. Management considered that there is no credit risk of the financial liability that drives the change of the fair value of the financial liability.

The Group has recognised the gross obligations from Share Purchase Option written as financial liabilities measured at FVTPL as the put option is over the ordinary shares of Innovent Suzhou and therefore does not meet the definition of equity for the Company.

The Company has recognised the Share Purchase Option as financial liabilities measured 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 year/period is as follows:

The Group	Preferred Shares *USD'000*	Gross obligation from Share Purchase Option written *USD'000*	Total *USD'000*	Shown in financial information as *RMB'000*
At 1 January 2016	161,909	8,479	170,388	1,106,430
Issuance of Series D Preferred Shares and gross obligation from Share Purchase Option written *(note i)*	64,000	183,002	247,002	1,666,205
Change in fair value *(note ii)*	(995)	1,053	58	123,197
At 31 December 2016	224,914	192,534	417,448	2,895,832
Issuance of Series D gross obligation from Share Purchase Option written *(note i)*	–	15,000	15,000	104,247
Change in fair value *(note ii)*	21,176	13,319	34,495	51,013
At 31 December 2017	246,090	220,853	466,943	3,051,092
Issuance of Series E Preferred Shares	150,000	–	150,000	947,821
Exercise of share purchase options	161,277	(161,277)	–	–
Change in fair value *(note ii)*	(20,819)	(59,576)	(80,395)	(448,797)
At 30 June 2018	536,548	–	536,548	3,550,116

The Company	Preferred Shares *USD'000*	Share Purchase Options *USD'000*	Total *USD'000*	Shown in financial information as *RMB'000*
At 1 January 2016	161,909	–	161,909	1,051,372
Issuance of Series D Preferred Shares and Share Purchase Option *(note i)*	64,000	80,228	144,228	983,805
Change in fair value *(note ii)*	(995)	9,205	8,210	145,446
At 31 December 2016	224,914	89,433	314,347	2,180,623
Issuance of Series D Share Purchase Option *(note i)*	–	8,240	8,240	53,842
Change in fair value *(note ii)*	21,176	6,523	27,699	54,371
At 31 December 2017	246,090	104,196	350,286	2,288,836
Issuance of Series E Preferred Shares	150,000	–	150,000	947,821
Exercise of share purchase options	161,277	(77,501)	83,776	536,818
Change in fair value *(note ii)*	(20,819)	(26,695)	(47,514)	(223,359)
At 30 June 2018	536,548	–	536,548	3,550,116

Notes:

(i) Part of the subscription consideration of Trench 2 Series D Preferred Shares, amounting to US$15,000,000 receivable from an onshore PRC investor, was paid in January 2017. It is considered as completion of investment upon paid in date.

(ii) Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

The Preferred Shares, gross obligations from Share Purchase Option written and Shares Purchase Options were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Solium Analytics LLC, which has appropriate qualifications and experiences in valuation of similar instruments. The address of Solium Analytics LLC is Suite 780, 221 Main Street, San Francisco, California 94105.

The Company used the back-solve method to determine the underlying share value of the Company and performed an equity allocation based on a Black-Scholes Option Pricing model ("OPM model") to arrive the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM model to determine the fair value of the Preferred Shares are as follows:

	At 31 December		At 30 June
	2016	2017	2018
Time to liquidity	2.5 years	2 years	2.5 years
Risk-free interest rate	1.34%	1.89%	2.58%
Volatility	58%	63.5%	65.9%
Dividend Yield	0%	0%	0%
Possibilities under liquidation scenario	100%	100%	90%
Possibilities under IPO scenario	0%	0%	10%

The directors of the Company estimated the risk-free interest rate based on the yield of U.S. Treasury Bonds with a maturity life closed to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates.

Changes in fair value of the other financial liabilities were recorded in "(loss) gain on fair value changes of other financial liabilities measured at FVTPL". Management considered that fair value change in the Preferred Shares that are attributable to changes of credit risk of this liability being not significant.

As at 31 December 2016 and 2017 and 30 June 2018, other financial liabilities shall be redeemed by the Company at an amount equal to the issue price per share, plus an 11% compounded annual interest and any declared but unpaid dividends, within a period of more than two years but not exceeding five years.

29. SHARE CAPITAL

The Group and the Company

	Number of ordinary shares	Amount *USD'000*
Ordinary shares		
Ordinary of USD0.0001 each		
Authorised		
At 1 January 2016	465,474,186	46
Reclassification and re-designation on issuance of series D Preferred Shares *(note a)*	(21,475,179)	(2)
At 31 December 2016 and 2017	443,999,007	44
Reclassification and re-designation on issuance of Series E Preferred Shares *(note b)*	(11,177,348)	(1)
Share subdivision *(note c)*	3,895,394,941	–
At 30 June 2018	4,328,216,600	43

	Number of shares	Amount *USD'000*	Equivalent amount of ordinary shares *RMB'000*
Issues and fully paid			
At 1 January 2016	7,670,454	1	4
Issuance of restricted shares *(note d)*	950,000	–	1
Issuance of ordinary shares *(note e)*	1,674	–	–
Exercise of share options *(note f)*	346,667	–	1
At 31 December 2016	8,968,795	1	6
Issuance of restricted shares *(note g)*	3,020,697	–	2
At 31 December 2017	11,989,492	1	8
Exercise of share options *(note h)*	9,010,004	1	6
Issuance of ordinary shares *(note i)*	2,235	–	–
Share subdivision *(note c)*	189,015,579	–	–
At 30 June 2018	210,017,310	2	14

Notes:

(a) On 23 December 2016, the Company redesignated and reclassified 21,475,179 shares into Series D Preferred Shares with details set out in note 28.

(b) On 31 January 2018, the Company redesignated and reclassified 11,177,348 shares into Series E Preferred Shares with details set out in note 28.

(c) With effect from 12 June 2018, each of the Company's authorised and issued 500,000,000 shares of a par value of US$0.0001 have be subdivided into ten shares of US$0.00001 par value each so that the authorised share capital of the Company shall be US$50,000 divided into (i) 4,328,216,600 authorised ordinary shares of a par value of US$0.00001, (ii) 50,000,000 Series A Preferred Shares of a par value of US$0.00001 each, (iii) 136,363,660 Series B Preferred Shares of a par value of US$0.00001 each, (iv) 158,894,480 Series C Preferred Shares of a par value of US$0.00001 each, (v) 214,751,780 Series D Preferred Shares of a par value of US$0.00001 each, (vi) 111,773,480 Series E Preferred Shares of a par value of US$0.00001 each.

(d) During the year ended 31 December 2016, 950,000 restricted shares with subscription price of US$1.10 per share was issued with details set out in note 30(a).

(e) During the year ended 31 December 2016, the Company issued 1,674 ordinary shares to one of the independent directors of the Company to settle part of its remuneration payable to him of approximately USD15,000 (equivalent to approximately RMB100,000).

(f) During the year ended 31 December 2016, share option holders exercised their rights to subscribe for 346,667 ordinary shares in the Company at US$0.17 per share.

(g) During the year ended 31 December 2017, 3,020,697 restricted shares with subscription price of US$1.1 per share issued and vested with details set out in note 30(a).

(h) On 1 May 2018, the Company issued 9,010,004 ordinary shares to Great Biono Fortune LP pursuit to an acceleration of options granted under the pre-IPO share incentive plan, with a total exercise price of US$10,076,000 (equivalent to RMB63,874,000). The exercise price of the share options were settled through current accounts with directors of the Company and other loans to employees of the Group.

(i) During the six months ended 30 June 2018, the Company issued 2,235 ordinary shares to one of the independent directors of the Company to settle parts of its remuneration payable to him of approximately USD30,000 (equivalent to approximately RMB190,000).

30. SHARE-BASED PAYMENT TRANSACTIONS

On 10 May 2012, the shareholders of the Company approved the adoption of the Plan for the purpose of incentivising, retaining and rewarding certain employees, board members and individual consultant or adviser who renders bona fide services to the Company or its subsidiaries ("Eligible Person") for their contributions the Group's business, and to align their interests with those of the Group. The Plan divided into two separate equity programs: (a) share award program and (b) option and share appreciation rights grant program. The overall limit on the number of underlying shares which may be delivered pursuant to all awards granted under the Plan is 165,476,820 shares of the Company, subject to any adjustments for other dilutive issuances.

(a) Share award program

Employees

On 23 December 2016, the Company issued an aggregate of 950,000 restricted shares of the Company for a subscription price of US$1.10 per share in exchange of the share options granted to Dr. Yu previously with details set out in note 30(b).

The restricted shares shall initially be unvested and subject to repurchase by the Company at subscription price paid by the employees upon voluntary or involuntary termination of employment (the "Repurchase Option"). One forth (25%) of the restricted shares shall vest immediately and the remaining portion (75% of the restricted shares) shall be vested ratably on a monthly basis over 36-months vesting period and released from the Repurchase Option, except for vesting due to specific clause and reasons.

The eligible employees shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of any unvested shares and the eligible employees shall not transfer any vested shares, or any interest therein until the employees has offered the Company the right to purchase the vested shares at the same price and on the same terms and conditions as those offered to any prospective transferee.

On 18 February 2017, the Company further entered into a restricted share agreement to which 3,020,697 ordinary shares at subscription price of US$1.1 per share for a total consideration of US$3,322,767 pursuant to which the vesting is subject to accomplishment of certain performance milestones conditions. All above said restricted shares have been vested during 2017.

The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted shares as of the grant dates and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted shares. The total expense recognised in the consolidated statements of profit or loss and other comprehensive income for restricted shares granted to employees and directors are approximately RMB1,464,000, RMB19,868,000, RMB4,442,000 (unaudited) and RMB197,000, respectively, for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018.

The restricted shares were valued by the directors of the Company with reference to the valuation carried out by Solium Analytics LLC, on the grant date of the restricted shares. The address of Solium Analytics LLC is Suite 780, 221 Main Street, San Francisco, California 94105. The fair value of the restricted shares was determined to be RMB10.37 per share and RMB13.91 as of 23 December 2016 and 18 February 2017, respectively.

The following table summarised the Group's unvested restricted shares movement in the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018:

	Numbers of unvested restricted shares	Weighted average grant date fair value
Unvested as of 1 January 2016	–	–
Granted	950,000	10.37
Unvested as of 31 December 2016	950,000	10.37
Granted	3,020,697	13.91
Vested	(3,475,905)	(13.45)
Unvested as of 31 December 2017	494,792	10.37
Vested	(118,750)	(10.37)
Share subdivision	3,384,378	
Unvested as of 30 June 2018	3,760,420	1.04

(b) Option and share appreciation rights grant program

Except as provided otherwise in the grant letter or offer in any other form by the board of directors, 25% of the shares subject to the option shall vest on the first vesting date, and the remaining 75% shares shall vest on a monthly basis over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options may not be exercised until they vest. Once vested, the vested portion of the options may be exercised in whole or in part, at any time.

No share appreciation rights outstanding nor issued during the Relevant Periods.

The following table discloses movements of the Company's share options held by grantees during the years/periods:

	Number of share options							
	Directors				Employees			
	Year ended 31 December		Six months ended 30 June		Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018	2016	2017	2017	2018
			(unaudited)				(unaudited)	
At the beginning of the year/period	4,448,126	4,101,459	4,101,459	5,551,100	1,458,250	3,201,500	3,201,500	4,194,000
Granted *(note a)*	950,000	1,449,641	–	400,000	1,744,000	1,049,000	829,000	3,300,904
Forfeited	–	–	–	–	(750)	(56,500)	(50,750)	(304,500)
Cancelled *(note a)*	(950,000)	–	–	–	–	–	–	–
Exercised *(note b)*	(346,667)	–	–	(5,951,100)	–	–	–	(3,058,904)
Share subdivision *(note c)*	–	–	–	–	–	–	–	37,183,500
At the end of the year/period	4,101,459	5,551,100	4,101,459	–	3,201,500	4,194,000	3,979,750	41,315,000

Notes:

(a) On 10 January 2016, the Group has granted Dr. Yu options to subscribe 950,000 ordinary shares of the Group at an exercise price of US$1.1 per share. 25% of the option was vested as at 10 January 2017, of which the remaining 75% would be vested in the next 36 months, with the first instalment vesting on the last day of February 2017 and additional instalment vesting on the last day of each of the 35 months thereafter. On 23 December 2016, the Group cancelled the above said share options with replacement of 950,000 restricted shares of the Company at a subscription price of US$1.1. Vesting schedule of the restricted shares remains the same as the previous issued options.

(b) On 1 May 2018, pursuant to the board resolution of the compensation committee, the board of the Company has approved the acceleration of the vesting of 5,289,486 options and exercise of 9,010,004 options (including both the previously vested and accelerated ones).

(c) As a result of the share subdivision on 12 June 2018, the number of the outstanding share options were adjusted from 4,131,500 to 41,315,000.

As at 31 December 2016 and 2017 and 30 June 2018, 3,461,659, 5,006,108 (before the effect of the share subdivision) and 11,705,000 (after the effect of the share subdivision) respectively outstanding options were exercisable.

The following table discloses the weighted average exercise price of the Company's share options held by grantees during the years/periods:

	Weighted average exercise price							
	Directors				Employees			
	Year ended 31 December		Six months ended 30 June		Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018 *(adjusted by the effect of share subdivision)*	2016	2017	2017	2018 *(adjusted by the effect of share subdivision)*
			(unaudited)				(unaudited)	
Granted	US$1.1	US$1.98	N/A	US$0.20	US$1.1	US$1.98	US$1.98	US$0.20
Forfeited	N/A	N/A	N/A	N/A	US$0.35	US$1.16	US$1.09	US$0.11
Cancelled	US$1.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exercised	US$0.17	N/A	N/A	US$0.09	N/A	N/A	N/A	US$0.16

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and Black-Scholes Option Model to determine the fair value of the options granted. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors with best estimate.

The fair values of share options were calculated using the Black-Scholes pricing model. The key inputs into the model were as follows:

	2013	2014	2015	2016	2017	2018 *(adjusted by the effect of share subdivision)*
Grant date option fair value per share	US$0.34 – US$0.37	US$0.37 – US$0.81	US$0.66 – US$1.15	US$1.01 – US$1.11	US$1.46 – US$1.47	US$0.15 – US$0.23
Weighted average share price	US$0.42 – US$0.47	US$0.49 – US$0.98	US$0.98 – US$1.5	US$1.36 – US$1.45	US$2.04 – US$2.07	US$0.21 – US$0.30
Exercise price	US$0.35	US$0.35	US$0.35 – US$1.1	US$1.1	US$1.98	US$0.20 – US$0.21
Expected volatility	85.78% – 90.57%	75.85% – 78.41%	74.3% – 79.47%	77.74% – 80.35%	74.63% – 79.88%	76.58% – 79.44%
Expected life	6.37 – 6.75 years	6.28 – 6.37 years	6.75 years	6.75 years	6.31 – 6.75 years	6.75 – 7.75 years
Risk-free rate	2.76% – 2.99%	2.3% – 2.72%	2.71% – 2.85%	2.11% – 2.46%	2.41% – 2.81%	2.71% – 2.91%
Expected dividend yield	0%	0%	0%	0%	0%	0%

The directors estimated the risk-free interest rate based on the yield of US Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The total expense recognized in the consolidated statements of profit or loss for share options granted to directors and employees are approximately RMB6,936,000, RMB9,427,000, RMB3,434,000 (unaudited) and RMB41,588,000, respectively, for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018.

31. AMOUNT DUE FROM A SUBSIDIARY

The Company

The amount is unsecured and interest-free. Except for the balances of approximately RMB540,000, RMB646,000 and RMB650,000, as at 31 December 2016 and 2017 and 30 June 2018, respectively, the directors of the Company expected that the remaining balance will be recovered after twelve months from the end of the reporting dates.

32. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters which fall due as follows:

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,836	4,542	4,849
In the second to fifth year inclusive	34	17,612	15,407
	1,870	22,154	20,256

The leases are generally negotiated for a lease term of one to five years at fixed rentals.

33. CAPITAL COMMITMENT

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	6,884	131,270	242,345

34. RETIREMENT BENEFIT PLANS

The PRC

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are approximately RMB12,820,000, RMB15,169,000, RMB7,860,000 (unaudited) and RMB8,183,000 for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively.

35A. TRANSACTIONS AND BALANCES WITH RELATED PARTIES OF A PREFERRED SHAREHOLDER

Except as disclosed elsewhere in the Historical Financial Information, the Group also entered into the following significant transactions during the Relevant Periods with certain related parties of a preferred shareholder which has the authority to appoint a director in the Company's board.

(I) Transactions

Nature of transaction	Year ended 31 December 2016 *RMB'000*	2017 *RMB'000*	Six months ended 30 June 2017 *RMB'000* (unaudited)	2018 *RMB'000*
Collaboration fee received	28,882	24,261	–	74,192
Consulting service expenses paid	(4,897)	(4,306)	(1,440)	(1,144)

(II) Balance

	At 31 December 2016 *RMB'000*	2017 *RMB'000*	At 30 June 2018 *RMB'000*
Contract liabilities	292,188	348,765	443,435

35B. TRANSACTIONS WITH DR. YU

Historically, the Group used certain domain names which are owned by Dr. Yu for free. On 11 June 2018, the Group and Dr. Yu formalised the arrangement and entered into agreement pursuant to which Dr. Yu agreed to license his rights in the domain names to Innovent Suzhou for use by it and the Group in connection with business and operations on an exclusive and royalty-free basis for a term commencing from the date of the agreement until such times that Dr. Yu ceases to hold shares or ceases to be a director of the Company. Such rights in the domain names are not transferable to any third parties.

35C. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors of the Company and other members of key management was as follows:

	Year ended 31 December 2016 *RMB'000*	2017 *RMB'000*	Six months ended 30 June 2017 *RMB'000* (unaudited)	2018 *RMB'000*
Short term benefits	3,757	8,001	4,000	6,683
Retirement benefit scheme contributions	60	104	42	66
Share based payments	4,085	4,230	1,331	29,431
	7,902	12,335	5,373	36,180

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remain unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debts, which includes bank borrowings, other financial liabilities and net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debt and redemption of existing debts.

37. FINANCIAL INSTRUMENTS

37a. Categories of financial instruments

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Financial assets			
Amortised cost (including bank balances and cash)	1,022,939	548,957	3,521,660
Mandatorily measured at FVTPL	782,250	809,484	181,408
Financial liabilities			
Amortised cost	532,684	560,882	2,258,092
Designated as at FVTPL			
– Preferred Shares	1,560,226	1,607,998	3,550,116
– Gross obligation from Share Purchase Option written	1,335,606	1,443,094	–

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Company			
Financial assets			
Amortised cost (including bank balances and cash)	70,035	70,977	2,627,689
Financial liabilities			
Amortised cost	504	2,875	2,095
Designated as at FVTPL			
– Preferred Shares	1,560,226	1,607,998	3,550,116
– Share Purchase Options	620,397	680,838	–

37b. Financial risk management objectives and policies

The Group's financial instruments include deposits and other receivables, subscription receivables for restricted shares and Preferred Shares, receivables due from directors of the Company, other loan, other financial assets, bank balances and cash, trade payables, other payables, borrowings and other financial liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group's financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances and cash, trade and other payables, and other financial liabilities 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 of significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets			Liabilities		
	At 31 December		30 June	31 December		30 June
	2016	2017	2018	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
USD	491,148	460,740	2,909,633	(2,896,392)	(3,068,904)	(5,018,243)

	Assets			Liabilities		
	At 31 December		30 June	31 December		30 June
	2016	2017	2018	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
USD	70,035	70,997	2,627,689	(2,181,127)	(2,291,711)	(3,552,211)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in RMB against USD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A negative number below indicates a decrease in post tax loss where RMB strengthens 5% against USD. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Impact of USD on loss for the year/period	(120,262)	(130,408)	(105,431)

	At 31 December		At 30 June
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
The Company			
Impact of USD on loss for the year/period	(102,405)	(111,036)	(46,226)

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the relevant periods.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other loans (note 19) and other financial liabilities (note 28) and cash flow interest rate risk in relation to variable-rate bank borrowings (note 26) and bank balances (note 22). The Company currently does not enter into any hedging instrument for both of the fair value interest rate risk and cash flow interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the amounts of these financial instruments outstanding at the end of the relevant periods were outstanding for the whole year. A 50 basis point increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variables rate bank borrowings, with all other variables held constant, the Group's post-tax loss for the years ended 31 December 2016 and 2017 and six months ended 30 June 2017 and 2018 would increase/decrease by RMB2,500,000, RMB2,550,000, RMB1,250,000 (unaudited) and RMB1,742,500, respectively.

Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

Other price risk

The Group is exposed to other price risk through Preferred Shares classified as other financial liabilities.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at end of the reporting period for financial liabilities at FVTPL.

If the equity value of the Company had been changed based on the 5% higher/lower:

- the post-tax loss of the Group for the year ended 31 December 2016 would increase by RMB139,018,000 and decrease by RMB133,511,000, as a result of the changes in fair value of the Company's equity value;

- the post-tax loss of the Group for the year ended 31 December 2017 would increase by RMB142,031,000 and decrease by RMB136,585,000, as a result of the changes in fair value of the Company's equity value;

- the post-tax loss of the Group for the six months ended 30 June 2018 would increase by RMB166,724,000 and decrease by RMB161,921,000, as a result of the changes in fair value of the Company's equity value.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
in default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Note 19 details the Group's maximum exposure to credit risk for subscription receivables for restricted shares, receivables due from share options holders, receivables for Preferred Shares and other loans and their measurement bases used to determine expected credit losses.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilisation of borrowings, and renews the borrowings upon expiry based on the actual operation requirement of the Group. The Group relies on bank borrowings and other financial liabilities as a significant source of liquidity.

As at 31 December 2016 and 2017 and 30 June 2018, the Group has bank borrowings of approximately RMB500,000,000, RMB510,000,000 and RMB697,000,000, respectively and details of which are set out in note 26. In addition, the Group issued Series E Preferred Shares to independent investors during January to April 2018, in which the earliest redemption dates of all previous issued Preferred Shares has also been extended to 2025. The directors of the Company are satisfied that the Group and the Company will have sufficient financial resource to meet its financial obligation as they fall due for the foreseeable future after taking into account of the aforesaid proceeds from the Preferred Shares and extension of earliest redemption dates of all previous issued Preferred Shares. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

The following table details remaining contractual maturity of the Group and the Company for the Preferred Shares designated as at FVTPL, gross obligation from Share Purchase Options written designated as at FVTPL of the Group and Share Purchase Options of the Company which has been drawn up based on the undiscounted cash flows based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of each reporting period.

Liquidity table

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
The Group								
At 31 December 2016								
Trade payables	–	21,198	–	–	–	–	21,198	21,198
Other payables	–	11,486	–	–	–	–	11,486	11,486
Bank borrowings – variable rate	5.29%	–	26,455	31,340	125,047	498,972	681,814	500,000
		32,684	26,455	31,340	125,047	498,972	714,498	532,684
Preferred Shares designated as at FVTPL	11%	–	–	–	–	2,948,978	2,948,978	1,560,226
Gross obligation from Share Purchase Options written designated as at FVTPL	11%	–	–	–	–	2,467,008	2,467,008	1,335,606
		–	–	–	–	5,415,986	5,415,986	2,895,832
At 31 December 2017								
Trade payables	–	34,836	–	–	–	–	34,836	34,836
Other payables	–	16,046	–	–	–	–	16,046	16,046
Bank borrowings – variable rate	4.9%	–	29,883	34,410	176,711	416,145	657,149	510,000
		50,882	29,883	34,410	176,711	416,145	708,031	560,882
Preferred Shares designated as at FVTPL	11%	–	–	–	–	3,083,296	3,083,296	1,607,998
Gross obligation from Share Purchase Options written designated as at FVTPL	11%	–	–	–	–	2,579,373	2,579,373	1,443,094
		–	–	–	–	5,662,669	5,662,669	3,051,092
At 30 June 2018								
Trade payables	–	36,639	–	–	–	–	36,639	36,639
Other payables	–	1,524,453	–	–	–	–	1,524,453	1,524,453
Bank borrowings – variable rate	4.9%	5,079	38,741	43,826	269,305	545,681	902,632	697,000
		1,566,171	38,741	43,826	269,305	545,681	2,463,724	2,258,092
Preferred Shares designated as at FVTPL	11%	–	–	–	–	9,176,920	9,176,920	3,550,116
		–	–	–	–	9,176,920	9,176,920	3,550,116

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
The Company								
At 31 December 2016								
Other Payables	–	504	–	–	–	–	504	504
Preferred Shares designated as at FVTPL	11%	–	–	–	–	2,948,978	2,948,978	1,560,226
Share Purchase Options designated as at FVTPL	11%	–	–	–	–	2,467,008	2,467,008	620,397
		–	–	–	–	5,415,986	5,415,986	2,180,623
At 31 December 2017								
Trade payables		2,597	–	–	–	–	2,597	2,597
Other Payables	–	278	–	–	–	–	278	278
	–	2,875	–	–	–	–	2,875	2,875
Preferred Shares designated as at FVTPL	11%	–	–	–	–	3,083,296	3,083,296	1,607,998
Share Purchase Options designated as at FVTPL	11%	–	–	–	–	2,579,373	2,579,373	680,838
		–	–	–	–	5,662,669	5,662,669	2,288,836
At 30 June 2018								
Trade payables		11	–	–	–	–	11	11
Other Payables	–	2,084	–	–	–	–	2,084	2,084
	–	2,095	–	–	–	–	2,095	2,095
Preferred Shares designated as at FVTPL	11%	–	–	–	–	9,176,920	9,176,920	3,550,116
		–	–	–	–	9,176,920	9,176,920	3,550,116

36c. Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis using prices from observable current market transactions.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	Fair value as at 31 December 2016 *RMB'000*	2017 *RMB'000*	30 June 2018 *RMB'000*	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
The Group							
(1) Other financial assets	782,250	809,484	181,408	Level 2	Income approach – in this approach, the discounted cash flow method was used to estimate the return from the underlying assets.	N/A	N/A
(2) Preferred Shares	1,560,226	1,607,998	3,550,116	Level 3	Back-solve Model and OPM Model – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield	Time to liquidity 2016: 2.5 years 2017: 2 years 2018: 2.5 years	The longer the time to liquidity, the higher the fair value *(note a)*
(3) Gross obligation from Share Purchase Options written	1,335,606	1,443,094	–	Level 3	Back-solve Model and OPM Model – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield	Time to liquidity 2016: 2.5 years 2017: 2 years 2018: N/A	The longer the time to liquidity, the higher the fair value *(note b)*
The Company							
(1) Share Purchase Options	620,397	680,838	–	Level 3	Back-solve Model and OPM Model – the key inputs are: time to liquidity, risk-free interest rate, volatility and dividend yield	Time to liquidity 2016: 2.5 years 2017: 2 years 2018: N/A	The longer the time to liquidity, the higher the fair value *(note c)*

Notes:

(a) A 0.5 years increase/decrease in the time to liquidity, while all other variables keep constant, would increase the carrying amount of Preferred Shares as at 31 December 2016 and 2017 and 30 June 2018 by RMB100,941,000, RMB130,756,000 and RMB157,249,000, decrease the carrying amount as at 31 December 2016 and 2017 and 30 June 2018 by RMB59,972,000, RMB172,039,000 and RMB180,793,000, respectively.

(b) A 0.5 years increase/decrease in the time to liquidity, while all other variables keep constant, would increase the carrying amount of gross obligation from Share Purchase Options written as at 31 December 2016 and 2017 and 30 June 2018 by RMB8,496,000, RMB27,512,000 and nil, respectively or decrease the carrying amount as at 31 December 2016 and 2017 and 30 June 2018 by RMB5,288,000, RMB45,798,000 and nil, respectively.

(c) A 0.5 years increase/decrease in the time to liquidity, while all other variables keep constant, would increase the carrying amount of Share Purchase Options as at 31 December 2016 and 2017 and 30 June 2018 by RMB8,496,000, RMB27,512,000 and nil, respectively or decrease the carrying amount as at 31 December 2016 and 2017 and 30 June 2018 by RMB5,288,000, RMB45,798,000 and nil, respectively.

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for Preferred Shares, gross obligation from Share Purchase Options written over subsidiary and Share Purchase Options are set out in note 28.

Fair value gains or losses on financial liabilities at FVTPL are included in '(Loss) gain on fair value changes of other financial liabilities measured 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.

38. RECONCILIATION OF LIABILITIES OR ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group' liabilities or assets arising from financing activities, including both cash and non-cash changes. Liabilities or assets arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Interest payables *RMB'000 (note 24)*	Borrowings *RMB'000 (note 26)*	Subscription receivable for Preferred Shares *RMB'000*	Consideration payable for acquiring non-controlling interests of a subsidiary *RMB'000*	Share repurchase payable *RMB'000*	Receivables due from directors of the Company and an employee and other loans *RMB'000*	Subscription receivables for restricted shares *RMB'000*	Gross obligation from Share Purchase Options written *RMB'000*	Preferred Shares *RMB'000*	Accrued issue costs *RMB'000*	Total *RMB'000*
At 1 January 2016	750	500,000	–	–	1	–	(144)	55,058	1,051,372	–	1,607,037
Financing cash flows *(note)*	(26,599)	–	–	–	(1)	–	–	1,238,943	427,262	–	1,639,605
Issuance of restricted shares	–	–	–	–	–	–	(7,249)	–	–	–	(7,249)
Exercise of share options	–	–	–	–	–	(409)	–	–	–	–	(409)
Interest expenses	26,530	–	–	–	–	–	–	–	–	–	26,530
Loss on fair value changes of other financial liabilities	–	–	–	–	–	–	–	41,605	81,592	–	123,197
At 31 December 2016	681	500,000	–	–	–	(409)	(7,393)	1,335,606	1,560,226	–	3,388,711
Financing cash flows *(note)*	(24,841)	10,000	–	–	–	–	–	104,247	–	–	89,406
Issuance of restricted shares	–	–	–	–	–	–	(22,845)	–	–	–	(22,845)
Net foreign exchange gain	–	–	–	–	–	–	1,554	–	–	–	1,554
Interest expenses	24,908	–	–	–	–	–	–	–	–	–	24,908
Loss on fair value changes of other financial liabilities	–	–	–	–	–	–	–	3,241	47,772	–	51,013
At 31 December 2017	748	510,000	–	–	–	(409)	(28,684)	1,443,094	1,607,998	–	3,532,747
Financing cash flows *(note)*	(14,183)	187,000	–	–	–	–	–	–	947,821	(745)	1,119,893
Exercise of share purchase options	–	–	–	–	–	–	–	(1,033,428)	1,033,428	–	–
Exercise of share options	–	–	–	–	–	(63,874)	–	–	–	–	(63,874)
Prepaid individual income tax for directors and employees	–	–	–	–	–	(25,906)	–	–	–	–	(25,906)
Net foreign exchange loss	–	–	–	–	–	(2,775)	(359)	–	–	–	(3,134)
Interest expenses	14,230	–	–	–	–	–	–	–	–	–	14,230
Loss on fair value changes of other financial liabilities	–	–	–	–	–	–	–	(409,666)	(39,131)	–	(448,797)
Issue cost accrued	–	–	–	–	–	–	–	–	–	35,157	35,157
Reorganisation of group structure	–	–	(1,504,033)	1,504,033	–	–	–	–	–	–	–
At 30 June 2018	795	697,000	(1,504,033)	1,504,033	–	(92,964)	(29,043)	–	3,550,116	34,412	4,160,316

	Interest payables *RMB'000 (note 24)*	Borrowings *RMB'000 (note 26)*	Subscription receivable for Preferred Shares *RMB'000*	Consideration payable for acquiring non-controlling interests of a subsidiary *RMB'000*	Share repurchase payable *RMB'000*	Receivables due from directors of the Company and an employee and other loans *RMB'000*	Subscription receivables for restricted shares *RMB'000*	Gross obligation from Share Purchase Options written *RMB'000*	Preferred Shares *RMB'000*	Accrued issue costs *RMB'000*	Total *RMB'000*
At 1 January 2017	681	500,000	–	–	–	(409)	(7,393)	1,335,606	1,560,226	–	3,388,711
Financing cash flows	(12,386)	–	–	–	–	–	–	104,247	–	–	91,861
Issuance of restricted shares	–	–	–	–	–	–	(22,845)	–	–	–	(22,845)
Net foreign exchange loss	–	–	–	–	–	–	504	–	–	–	504
Interest expenses	12,318	–	–	–	–	–	–	–	–	–	12,318
Loss on fair value changes of other financial liabilities	–	–	–	–	–	–	–	(28,629)	29,471	–	842
At 30 June 2017	613	500,000	–	–	–	(409)	(29,734)	1,411,224	1,589,697	–	3,471,391

Note: The cash flows from interest payables, borrowings, share repurchase payable, subscription receivables, consideration payable for acquiring non-controlling interests of a subsidiary, gross obligation from Share Purchase Option written and Preferred Shares make up the net amount of proceeds and repayments in the consolidated statements of cash flows.

39. RESERVES OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Share premium *RMB'000*	Share-based payment reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2016	2,614	12,067	(171,042)	(156,361)
Loss and total comprehensive expense for the year	–	–	(143,292)	(143,292)
Issuance of ordinary shares	100	–	–	100
Issuance of restricted shares	7,258	–	–	7,258
Exercise of share options	971	(561)	–	410
Recognition of share-based payment expenses in respect of share options	–	8,400	–	8,400
At 31 December 2016	10,943	19,906	(314,334)	(283,485)
Loss and total comprehensive expense for the year	–	–	(65,746)	(65,746)
Issuance of restricted shares	22,843	–	–	22,843
Vesting of restricted shares	20,422	(20,422)	–	–
Recognition of share-based payment expenses in respect of share options	–	29,295	–	29,295
At 31 December 2017	54,208	28,779	(380,080)	(297,093)
Profit and total comprehensive income for the period	–	–	282,049	282,049
Issuance of ordinary shares	190	–	–	190
Vesting of restricted shares	324	(324)	–	–
Recognition of share-based payment expenses in respect of share options	–	41,784	–	41,784
Exercise of share options	124,046	(60,178)	–	63,868
At 30 June 2018	178,768	10,061	(98,031)	90,798

40. SUBSEQUENT EVENTS

Except as disclosed elsewhere of the Historical Financial Information, the Group has the following subsequent events entered subsequent to 30 June 2018:

a. In September 2018, the Group drawn down additional RMB100 millions from an existing bank loan facility.

b. From 1 July to 9 October 2018, the Group granted 31,910,000 share options to certain directors, employees and individual consultants.

c. On 9 October 2018, a shareholder's resolution was passed under which a total of 236,350,000 shares will be allotted and issued by the Company on the day preceding the Global Offering (as defined in the Prospectus).

d. On 15 October 2018, in consideration of future performance of their duties as directors of the Company, the Company granted bonuses in the total amount of approximately RMB201.02 million to certain directors of the Company (including Dr. Yu), which is equal to the sum of 1) receivables from these directors in the amount of approximately RMB99.49 million (comprising subscription receivables for restricted shares in the amount of approximately RMB28.94 million and receivables due from these directors in the amount of approximately RMB70.55 million) as at 30 June 2018 (see note 19 (a) and note 19 (b) on I-41), and 2) an amount of RMB101.53 million due from the directors of the Company in respect of the withholding tax resulting from the share subscriptions and the grant of these bonuses as at 15 October 2018. Based on the relevant terms of the directors' respective service agreements (which reflected the relevant contractual terms of these directors' bonus plan), the outstanding receivables and the amount paid or payable for these directors in respect of the withholding tax resulting from the share subscriptions and the grant of these bonuses as at 15 October 2018 were converted to bonuses paid in advance to directors of the Company. These directors of the Company shall be liable to return the whole or part of the bonuses and the relevant tax paid for them if certain service and/or performance conditions are not satisfied in accordance with the relevant terms of the respective directors' service agreements.

41 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for any of the companies comprising the Group subsequent to 30 June 2018.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended 31 December 2017 and the six months ended 30 June 2018 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Hong Kong public offering and international offering of the Shares of the Company (the "Global Offering") on the consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2018 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2018 *RMB'000 (Note 1)*	**Estimated net proceeds from the Global Offering** *RMB'000 (Note 2)*	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at 30 June 2018** *RMB'000*	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2018** *RMB (Note 3)*	*HK$ (Note 4)*
Based on an offer price of HK$12.50 per Share	(1,573,875)	2,485,720	911,845	2.06	2.34
Based on an offer price of HK$14.00 per Share	(1,573,875)	2,785,767	1,211,892	2.74	3.11

Notes:

1. The audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2018 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 236,350,000 Shares at the Global Offering of HK$12.50 (equivalent to RMB11.02) and HK$14.00 (equivalent to RMB12.34) per offer share, being the low-end and high-end of the stated offer price range, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses paid/payable by the Group (excluding listing expenses charged to profit or loss prior to 30 June 2018) and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Incentive Plan or the Post-IPO ESOP or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

   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$1 to RMB0.8817, which was the exchange rate prevailing on 9 October 2018 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that 442,606,893 Shares were in issue (retrospectively adjusted for share subdivision as disclosed in Appendix I to the Prospectus) assuming that the Global Offering had been completed on 30 June 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Incentive Plan or the Post-IPO ESOP or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) the conversion of the Preferred Shares or (v) any unvested restricted shares.

4. For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.8817, which was the exchange rate prevailing on 9 October 2018 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2018 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2018. In particular, the unaudited pro forma adjusted consolidated net tangible 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 conversion of Preferred Shares into ordinary shares. The conversion of Preferred Shares upon completion of IPO would then have reclassified the RMB3,550,116,000 Preferred Shares to equity. The conversion of Preferred Shares would have increased the total share in issue assumption stated in note 3 by 671,783,410 shares to a total of 1,114,390,303 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 30 June 2018 after conversion of the Preferred Shares *RMB'000*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2018 after conversion of the Preferred Shares**	
		RMB (Note 5)	*HK$ (Note 4)*
Based on an offer price of HK$12.50 per Share	4,461,961	4.00	4.54
Based on an offer price of HK$14.00 per Share	4,762,008	4.27	4.84

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the Group's unaudited pro forma financial information of our Group.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Innovent Biologics, Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Innovent Biologics, Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 18 October 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-2 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 30 June 2018 as if the proposed Global Offering had taken place at 30 June 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 31 December 2017 and the six months ended 30 June 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 30 June 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
18 October 2018

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on October 15, 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 the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on October 15, 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$50,000 divided into 5,000,000,000 shares of US$0.00001 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 like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being 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 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 recognised 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 recognised clearing house (or its nominee(s)) which he represents as that recognised 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

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.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as 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 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 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, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

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 instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other 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 instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be 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 April 28, 2011 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 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 those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice 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 Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on April 28, 2011 as an exempted company with limited liability. Our registered office address is at Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

Our registered place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 31, 2018 with the Registrar of Companies in Hong Kong. Ronald Hao Xi Ede and Lok Yee Chan have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

As at the date of this prospectus, our Company's head office was located at 168 Dongping Street, Suzhou Industrial Park, China 215123.

2. Changes in share capital of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 28, 2011, with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares, each with a par value of US$0.0001.

The following sets out the changes in our Company's issued share capital during the two years immediately preceding the date of this prospectus:

(a) On September 26, 2016, our Company issued shares in the following manner:

  (i) 1,674 shares to Charles Leland Cooney;

  (ii) 1,229,495 Series D preferred shares to LC Healthcare;

  (iii) 81,966 Series D preferred shares to Highsino;

  (iv) 2,458,990 Series D preferred shares to TLS Beta;

  (v) 1,229,495 Series D preferred shares to Hillhouse INOV; and

  (vi) 245,899 Series D preferred shares to Cowin China.

(b) On December 23, 2016, our Company issued 1,296,667 shares to De-Chao Michael Yu.

(c) On February 18, 2017, our Company issued 3,020,697 shares to De-Chao Michael Yu.

(d) On January 31, 2018, our Company issued 6,576,975 Series E preferred shares to Seacliff (Cayman) Ltd. and 129,434 Series E preferred shares to Dwyer (Cayman) Ltd.

(e) On April 4, 2018, our Company issued Series E preferred shares in the following manner:

(i) 535,068 Series E preferred shares to LC Healthcare;

(ii) 19,919 Series E preferred shares to Highsino;

(iii) 149,665 Series E preferred shares to LAV Opus;

(iv) 74,832 Series E preferred shares to LAV Orion;

(v) 299,329 Series E preferred shares to LAV Agility;

(vi) 535,068 Series E preferred shares to TLS Beta;

(vii) 361,303 Series E preferred shares to Hillhouse INOV;

(viii) 111,253 Series E preferred shares to Taikang AMC HK;

(ix) 273,063 Series E preferred shares to Cormorant Private Healthcare;

(x) 86,289 Series E preferred shares to Cormorant Global Healthcare;

(xi) 13,227 Series E preferred shares to CRMA;

(xii) 223,547 Series E preferred shares to Rock Springs;

(xiii) 1,490,313 Series E preferred shares to CRF Investment; and

(xiv) 298,063 Series E preferred shares to Ally Bridge.

(f) On April 30, 2018, our Company issued 2,235 shares to Charles Leland Cooney.

(g) On May 1, 2018, our Company issued 9,010,004 shares to Great Biono Fortune LP.

(h) On June 1, 2018, our Company issued 2,272,727 Series B preferred shares to Hua Yuan.

(i) On June 1, 2018, our Company issued 198,963 Series C preferred shares to Suzhou Frontline.

(j) On June 1, 2018, our Company issued Series D preferred shares in the following manner:

(i) 4,508,148 Series D preferred shares to Future Industry Investment (BVI) Co., Limited;

(ii) 4,508,148 Series D preferred shares to China Life;

(iii) 2,458,990 Series D preferred shares to Shanghai Sa Wang;

(iv) 1,639,327 Series D preferred shares to Pingan Inno Limited;

(v) 1,229,495 Series D preferred shares to Easy Swift Limited;

(vi) 1,229,495 Series D preferred shares to Shanghai Pengfang Health Consultation Co., Ltd.;

(vii) 614,747 Series D preferred shares to Shanghai Chiyi; and

(viii) 40,983 Series D preferred shares to Xiangan Inno Limited.

(k) On June 12, 2018, our Company conducted a share subdivision such that the authorized share capital of the Company was re-designated to US$50,000, comprising (i) 4,328,216,600 Shares, (ii) 50,000,000 Series A Preferred Shares of a par value of US$0.00001 each, (iii) 136,363,660 Series B Preferred Shares of a par value of US$0.00001 each, (iv) 158,894,480 Series C Preferred Shares of a par value of US$0.00001 each, (v) 214,751,780 Series D Preferred Shares of a par value of US$0.00001 each and (vi) 111,773,480 Series E Preferred Shares of a par value of US$0.00001 each. See the section headed "History, Development and Corporate Structure – Share Subdivision" for further details.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

Innovent Suzhou

On August 19, 2016, the registered capital of Innovent Suzhou increased from US$33,407,572 to US$47,196,802.

On November 30, 2016, the registered capital of Innovent Suzhou increased from US$47,196,802 to US$52,464,750.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of our Company dated October 15, 2018

Resolutions of our Shareholders were passed on October 15, 2018, pursuant to which, among others:

(a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and our Company:

(1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorised to determine the Offer Price for, and to allot and issue the Offer Shares;

(2) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the Equity Plans or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the Equity Plans;

(3) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the Equity Plans; and

(4) the general unconditional mandate as mentioned in paragraph (2) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (3) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the Equity Plans;

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing; and

(c) our Company conditionally approved and adopted the RS Plan with effect from the Listing Date.

Each of the general mandates referred to in paragraphs (a)(2), (a)(3) and (a)(4) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on October 15, 2018, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares to be allotted and issued pursuant to the Equity Plans), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out

of capital, if so authorised by the Articles of Association and subject to the Cayman Islands Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Islands Companies Law.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for

publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,118,150,710 Shares in issue immediately following the completion of the Global Offering, but assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans, could accordingly result in up to approximately 111,815,071 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Seacliff (Cayman) Ltd., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Seacliff (Cayman) Ltd. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$19,614,000;

(b) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Dwyer (Cayman) Ltd., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Dwyer (Cayman) Ltd. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$386,000;

(c) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Cormorant Asset Management, LP, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Cormorant Asset Management, LP had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$25,000,000;

(d) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Greenwoods Asset Management Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Greenwoods Asset Management Limited had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$20,000,000;

(e) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, LAV Biosciences Fund IV, L.P., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which LAV Biosciences Fund IV, L.P. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$20,000,000;

(f) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Dragon Billion China Master Fund, Dragon Billion Select Master Fund, LMA SPC on behalf of Map 109 Segregated Portfolio, LMA SPC on behalf of Map 147 Segregated Portfolio, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Dragon Billion China Master Fund, Dragon Billion Select Master Fund, LMA SPC on behalf of Map 109 Segregated Portfolio and LMA SPC on behalf of Map 147 Segregated Portfolio had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$30,000,000;

(g) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Rock Springs Capital Master Fund LP, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Rock Springs Capital Master Fund LP had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000;

(h) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Elbrus Investments Pte. Ltd., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Elbrus Investments Pte. Ltd. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of HK$157,000,000;

(i) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, SCC Growth V Holdco L, Ltd., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which SCC Growth V Holdco L, Ltd. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$60,000,000;

(j) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Value Partners Hong Kong Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Value Partners Hong Kong Limited had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$30,000,000;

(k) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Vivo Capital Fund IX, L.P., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Vivo Capital Fund IX, L.P. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$1,754,250;

(l) a cornerstone investment agreement dated October 12, 2018 entered into between the Company, Vivo Opportunity Fund, L.P., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, and China Merchants Securities (HK) Co., Limited, pursuant to which Vivo Opportunity Fund, L.P. had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$13,245,750; and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Patents

(i) Registered patents

As at the Latest Practicable Date, we had registered the following patents that we consider to be or may be material to our business:

No.	Patent	Registered Owner	Place of registration	Registered Number	Expiry Date (MM/DD/YYYY)
1.	Recombinant fusion protein formulation	Innovent Suzhou	Australia	2015320084	09/25/2035
2.	Recombinant fusion protein formulation	Innovent Suzhou	Japan	2017526616	09/25/2035
3.	Recombinant fusion protein formulation	Innovent Suzhou	PRC	201410498228.8	09/25/2034
4.	A highly sensitive anti-CD20 monoclonal antibody and its applications	Innovent Suzhou; Hubei University	PRC	CN201410052926.5	02/17/2034
5.	A stable anti-TNF-α antibody product and its uses	Innovent Suzhou	PRC	201310611288.1	11/26/2033
6.	Protein inhibitors to complement and vegf pathways and methods of use thereof	Our Company; AP Biosciences, Inc.	Australia	AU2012318288	11/30/2032
7.	Protein inhibitors to complement and vegf pathways and methods of use thereof	Our Company; AP Biosciences, Inc.	Europe	EP12853600	11/30/2032
8.	Protein inhibitors to complement and vegf pathways and methods of use thereof	Our Company; AP Biosciences, Inc.	Japan	JP2014544968	11/30/2032
9.	Protein inhibitors to complement and vegf pathways and methods of use thereof	Our Company; AP Biosciences, Inc.	United States	US14/362,109	03/10/2033
10.	An anti-interleukin-8 antibody	Innovent Suzhou	PRC	201110074631.4	03/28/2031
11.	A series of fusion protein with doubled biological activities and its clinical applications	Innovent Suzhou	PRC	200610150592.0	10/20/2026
12.	An optimized fusion protein containing VEGF receptor fragment and its clinical applications	Innovent Suzhou	PRC	200510115530.1	11/04/2025
13.	An application of monoclonal antibody as a treatment for neurodegenerative diseases	Innovent Suzhou	PRC	201410757478.9	12/10/2034
14.	Recombinant fusion protein formulation	Innovent Suzhou	PRC	201410497937.4	09/25/2034

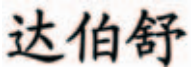
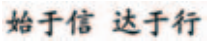
(ii) Pending patents

As at the Latest Practicable Date, we had applied for the registration of the following patents that we consider to be or may be material to our business:

No.	Patent	Registered Owner	Place of application	Registered Number	Application Date (MM/DD/YYYY)
1.	Anti-PD-L1 nanobody and its application	Innovent Suzhou	PCT	PCT/CN2017/095884	08/03/2017
2.	Anti-PD-L1 nanobody and its application	Innovent Suzhou	PRC	201710657665.3	08/03/2017
3.	PD-1 Antibody Formulation	Innovent Suzhou	PCT	PCT/CN2017/093141	07/17/2017
4.	PD-1 antibodies	Innovent Suzhou	PCT	PCT/CN2017/072190	01/23/2017
5.	PD-1 antibodies	Innovent Suzhou	PCT	PCT/CN2016/102238	10/15/2016
6.	PD-1 antibodies	Innovent Suzhou	PCT	PCT/CN2016/094122	08/09/2016
7.	PD-1 Antibody Formulation	Innovent Suzhou	PCT	PCT/CN2016/094094	08/09/2016
8.	PD-1 antibodies	Innovent Suzhou	PCT	PCT/CN2016/073169	02/02/2016
9.	Medicine used for treating pathological myopia	Innovent Suzhou	PRC	201510958213.X	12/18/2015
10.	A recombinant fully human anti-CTLA-4 monoclonal antibody product and its application	Innovent Suzhou	PRC	201510741831.9	11/04/2015
11.	Recombinant fusion protein product	Innovent Suzhou	PCT	PCT/CN2015/090778	09/25/2015
12.	Recombinant fusion protein product	Innovent Suzhou	PCT	PCT/CN2015/090777	09/25/2015
13.	PD-1 antibodies	Innovent Suzhou	PCT	PCT/CN2015/086494	08/10/2015
14.	A stable anti-VEGF antibody product and its uses	Innovent Suzhou	PRC	201410757524.5	12/10/2014
15.	An application of monoclonal antibody in as a treatment for psoriasis	Innovent Suzhou	PRC	201410386485.2	08/07/2014
16.	Complement and VEGF pathway protein inhibitor and its way of use	AP Biosciences, Inc.; our Company	PRC	CN201280068781.7	11/30/2012
17.	Protein inhibitors to complement and vegf pathways and methods of use thereof	AP Biosciences, Inc.; our Company	PCT	PCT/US2012/067489	11/30/2012

(b) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks that we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class
1.		Our Company	5, 35, 42
2.		Our Company	5, 35, 42
3.		Innovent Suzhou	5, 10, 42
4.		Innovent Suzhou	5, 10, 42
5.		Innovent Suzhou	5, 10, 42
6.		Innovent Suzhou	5, 10, 42
7.		Innovent Suzhou	10, 42
8.		Innovent Suzhou	5, 42
9.		Innovent Suzhou	5, 10, 42

(c) Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner
1.	abouttyvyt.com	Innovent Suzhou
2.	fripdi.com	Innovent Suzhou
3.	kimpedro.com	Innovent Suzhou
4.	mytyvyt.com	Innovent Suzhou
5.	zokurbo.com	Innovent Suzhou

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' Service Contracts and Appointment Letters

(a) Executive Directors

Each of the executive Directors (namely, Dr. De-Chao Michael Yu and Mr. Ronald Hao Xi Ede) had entered into a service agreement with our Company on October 15, 2018. The initial term of their service agreements shall commence from the date of their appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice in writing.

Pursuant to the service agreement entered into with our Company, Dr. De-Chao Michael Yu is entitled to bonuses in two lump sums of US$4,433,699.7 and US$5,097,799.83 respectively (subject to certain specified conditions to be satisfied). In addition, the Company shall bear and pay certain specified individual tax liabilities that Dr. De-Chao Michael Yu may or will incur.

Pursuant to the service agreement entered into with our Company, Mr. Ronald Hao Xi Ede is entitled to a bonus in a lump sum of US$1,888,729.92 (subject to certain specified conditions to be satisfied). In addition, the Company shall bear and pay certain specified individual tax liabilities that Mr. Ronald Hao Xi Ede may or will incur.

(b) Non-executive Directors and independent non-executive Directors

The non-executive Director has entered into an appointment letter with our Company on October 15, 2018. The initial term for his appointment letter shall commence from the date of his appointment and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three month's prior notice in writing. Under the appointment letter, our non-executive Director will receive an annual director's fee of RMB360,000.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on October 16, 2018. The initial term for their appointment letters shall be three years from the date of this prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of RMB360,000.

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB6.8 million and RMB7.7 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2016 and 2017 respectively.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2018, is expected to be approximately RMB112.0 million in aggregate (excluding discretionary bonus).

(c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of Interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Global Offering[(1)]
De-Chao Michael Yu	Beneficial owner	45,628,190[(2)]	4.08%
	Grantor of a trust	10,000,000[(3)]	0.89%
	Interest in a controlled corporation	90,100,040[(4)]	0.86%
Charles Leland Cooney	Beneficial owner	39,090[(5)]	0.00%
Ronald Hao Xi Ede	Beneficial owner	9,539,040[(6)]	0.85%

Note:

(1) The calculation is based on the total number of 1,118,150,710 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans).

(2) These Shares are directly held by Dr. Yu.

(3) These Shares are held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.

(4) These Shares are held by Great Biono Fortune LP, the general partner of which is Great Biono Fortune Limited. Dr. Yu is the sole shareholder of Great Biono Fortune Limited and is therefore deemed to be interested in these Shares for the purposes of the SFO. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. Yu is beneficially interested in 59,511,000 Shares.

(5) Includes 39,090 Shares held by Dr. Cooney.

(6) These 9,539,040 Shares are held by Great Biono Fortune Limited LP as nominee for Ronald Hao Xi Ede.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Incentive Plan, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Incentive Plan, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the section headed "Other Information – Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Incentive Plan, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. EQUITY PLANS

1. Pre-IPO Share Incentive Plan

Summary

The following is a summary of the principal terms of the Pre-IPO Share Incentive Plan of the Company as approved and adopted pursuant to the written resolutions of all shareholders of the Company dated May 10, 2012 and amended from time to time. The terms of the Pre-IPO Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

We have 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 the Listing Rules and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See the paragraph headed "Waiver and Exemption in relation to the Pre-IPO Share Incentive Plan" in the section headed "Waivers from Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance" for more information.

(a) Purpose

The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of Award recipients with those of the Company's shareholders generally.

(b) Who may join

Those eligible to participate in the Pre-IPO Share Incentive Plan include employees, advisers or consultants, all members of the Board of Directors (the "**Board**") and other individuals, as determined, authorized and approved by the Board or a committee authorized by the Board (the "**Administrator**"). The Administrator may, from time to time, select from among all eligible individuals ("**Participants**") to whom awards in the form of options ("**Options**"), share appreciation rights ("**SARs**") and ordinary or restricted share awards ("**Share Awards**") (collectively "**Awards**"), will be granted and will determine the nature and amount of each option. A person's status as an Eligible Person is not a commitment that any Award will be granted to that person under the Pre-IPO Share Incentive Plan. Nil consideration was paid by the grantees for the grant of Awards under the Pre-IPO Share Incentive Plan.

(c) Maximum number of Ordinary Shares with a par value of US$0.00001 each

The overall limit on the number of underlying shares which may be delivered pursuant to Awards granted under the Pre-IPO Share Incentive Plan is 162,010,040 of the Company's authorized but unissued Ordinary Shares with a par value of US$0.00001 each, subject to any adjustments for other dilutive issuances.

(d) Administration

The Pre-IPO Share Incentive Plan is administered by the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of the Pre-IPO Share Incentive Plan. Subject to the express provisions of the Pre-IPO Share Incentive Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of Awards and the administration of the Pre-IPO Share Incentive Plan, including, without limitation, the authority to:

i. determine eligibility of individuals as Participants and to receive Awards;

ii. grant Awards to eligible Participants, determine the price and number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of Awards consistent with the express limits of the Pre-IPO Share Incentive Plan, establish the installments (if any) in which such Awards will become exercisable or will vest (which may include, without

limitation, performance and/or time-based schedules) or determine that no delayed exercisability or vesting is required, establish any applicable performance targets, and establish the events of termination or reversion of such Awards;

iii. approve the forms of Award Agreements, which need not be identical either as to type of Award or among Participants;

iv. decide all other matters that must be determined in connection with an Award;

v. Prescribe, amend and rescind rules and regulations relating to the administration of the Pre-IPO Share Incentive Plan or the Awards;

vi. construe and interpret the terms of, and any matter arising pursuant to the Pre-IPO Share Incentive Plan, any Award Agreement or other agreements defining the rights and obligations of the Company, its Affiliates, and Participants under the Pre-IPO Share Incentive Plan;

vii. cancel, modify, or waive the Company's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards;

viii. implement any procedures, steps, additional or different requirements as may be necessary to comply with any laws of the People's Republic of China (the "**PRC**") that may be applicable to the Pre-IPO Share Incentive Plan, any Award or any related documents, including but not limited to foreign exchange laws, tax laws and securities laws of the PRC.

(e) Grant of Awards

The Administrator is authorized to grant Awards to Participants in accordance with the terms of the Pre-IPO Share Incentive Plan. Awards granted will be evidenced by an Award Agreement in the form approved by the Administrator. The Award Agreement contains the terms established by the Administrator for that Award, as well as any other additional terms, provisions, or restrictions that the Administrator may impose on the Award.

(f) Term of the Pre-IPO Share Incentive Plan

The Pre-IPO Share Incentive Plan commenced on May 10, 2012 (the "**Effective Date**") and will terminate at the close of business on the day before the 10th anniversary of the Effective Date. After the termination of the Pre-IPO Share Incentive Plan either upon such stated expiration date or its earlier termination by the Board, no additional Awards may be granted, but previously granted Awards (and the authority of the Administrator with respect thereto, including the authority to amend such Awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Pre-IPO Share Incentive Plan.

(g) Options and SAR Grant Program

(i) Exercise of option

An Option or SAR may be exercised only to the extent that it is vested and exercisable. The Administrator may, in its discretion, designate any Option or SAR as an "early exercise Option" or "early exercise SAR" which, by express provision in the applicable Award Agreement, may be exercised prior to the date such Option or SAR has vested.

The Administrator will determine the vesting and/or exercisability provisions of each Option or SAR, which will be set forth in the applicable Award Agreement. Unless the Administrator otherwise expressly provides, once exercisable an Option or SAR will remain exercisable until the expiration or earlier termination of the Option or SAR.

(ii) Option or SAR price

The Administrator will determine the purchase price per share of the Ordinary Shares covered by each Option (the "exercise price" of the Option) at the time of the grant of the Option, which exercise price will be set forth in the applicable Award Agreement. The exercise price of an Option may be a fixed price based on the par value of an Ordinary Share or variable price related to the Fair Market Value of an Ordinary Share.

The Administrator will determine the base price per share of the Ordinary Shares covered by each SAR at the time of the grant of the SAR, which base price will be set forth in the applicable Award Agreement.

(iii) Incentive Stock Option Status

The Administrator will designate each Option granted under the Pre-IPO Share Incentive Plan to a U.S. resident as either an Incentive Stock Option or a Nonqualified Option, and such designation shall be set forth in the applicable Award Agreement. Any Option granted under the Pre-IPO Share Incentive Plan to a U.S. resident that is not expressly designated in the applicable Award Agreement as an Incentive Stock Option will be deemed to be designated a Nonqualified Option under the Pre-IPO Share Incentive Plan.

The Administrator may designate any Option granted under the Pre-IPO Share Incentive Plan to a non-U.S. resident in accordance with the rules and regulations applicable to options in the jurisdiction in which such person is a resident.

(iv) Limitations on Grant and Terms of Incentive Stock Options

To the extent that the aggregate Fair Market Value of shares with respect to which incentive stock options first become exercisable by a Participant in any calendar year exceeds US$100,000, taking into account all shares subject to incentive stock options under all plans of the Company or any of its Affiliates, such options will be treated as Nonqualified Options.

Incentive Stock Options may only be granted to individuals that are employees of the Company or one of its Affiliates and satisfy the other eligibility requirements of the Code.

Any Participant who exercises an Incentive Stock Option shall give prompt written notice to the Company of any sale or other transfer of the Ordinary Shares acquired on such exercise if the sale or other transfer occurs within (a) one year after the exercise date of the Option, or (b) two years after the grant date of the Option.

No Incentive Stock Option may be granted to any person who, at the time the Incentive Stock Option is granted, owns outstanding shares of the Company (or any of its Affiliates) possessing more than 10% of the total combined voting power of all classes of shares of the Company (or any of its Affiliates).

(v) Effect of termination of employment or service for cause

Unless otherwise provided in the applicable Award Agreement, if a Participant's employment by or service to the Company or any of its Affiliates is terminated by such entity for Cause, the Participant's Option or SAR will terminate on the Participant's Severance Date, whether or not the Option or SAR is then vested and/or exercisable.

(vi) Rights on death or disability

Unless otherwise provided in the applicable Award Agreement, if a Participant's employment by or service to the Company or any of its Affiliates terminates as a result of the Participant's death or Total Disability, (i) the Participant (or the Personal Representative or Beneficiary, in the case of the Participant's Total Disability or death, respectively), will have until the date that is 12 months after the Participant's Severance Date to exercise the Participant's Option or SAR (or portion thereof) to the extent that it was vested and exercisable on the Severance Date; (ii) the Option or SAR, to the extent not vested and exercisable on the Participant's Severance Date, shall terminate on the Severance Date; and (iii) the Option or SAR, to the extent exercisable for the 12-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

(vii) Rights on termination of employment of service otherwise than for cause or as a result of death of disability

Unless otherwise provided in the applicable Award Agreement, if a Participant's employment by or service to the Company or any of its Affiliates terminates for any reason other than a termination by such entity for Cause or because of the Participant's death or Total Disability, the Participant will have until the date that is 3 months after the Participant's Severance Date to exercise his or her Option or SAR (or portion thereof) to the extent that it was vested and exercisable on the Severance Date. If the Participate fails to exercise his or her Option or SAR (or portion thereof) within the said time period, the Option or SAR will terminate.

The Option or SAR, to the extent not vested and exercisable on the Participant's Severance Date, shall terminate on the Severance Date.

(h) Share Awards Program

(i) Types of Share Awards

Participants may, at the discretion of the Administrator, be awarded restricted or unrestricted Ordinary Shares. The Administrator shall designate whether a Share Award shall be a Restricted Share Award, and such designation shall be set forth in the applicable Award Agreement.

(ii) Issuance and restrictions of Restricted Shares

Restricted Shares shall be subject to payment of such consideration and such conditions on vesting (which may include, among others, the passage of time, specified performance objectives or other factors) and such transfer and other restrictions as are established in or pursuant to the Pre-IPO Share Incentive Plan and the related Award Agreement, to the extent such remain unvested and restricted under the terms of the applicable Award Agreement.

Share certificates evidencing Restricted Shares will bear a legend making appropriate reference to the restrictions imposed hereunder and will be held by the Company or by a third party designated by the Administrator until the restrictions on such shares have lapsed, the shares have vested in accordance with the provisions of the Award Agreement, and any related loan has been repaid.

(iii) Forfeiture and repurchase

Unless the Administrator otherwise expressly provides, upon termination of employment or service, Restricted Shares subject to an Award that remain subject to vesting conditions that have not been satisfied by the time specified in the applicable Award Agreement, will not vest and will be reacquired by the Company in such manner and on such terms as the Administrator provides, which terms shall include, to the extent not prohibited by law, return or repayment of the lower of (a) the Fair Market Value of the Restricted Shares at the time of the termination, or (b) if applicable, the original purchase price of the Restricted Shares, without interest. The Award Agreement shall specify any other terms or conditions of the repurchase if the Award fails to vest. Any other Share Award that has not been exercised as of a Participant's Severance Date shall terminate on that date unless otherwise expressly provided by the Administrator in the applicable Award Agreement.

(iv) Waiver of restrictions

Except as otherwise provided in the Pre-IPO Share Incentive Plan, the Administrator from time to time may authorize, generally or in specific cases only, for the benefit of any Participant, any adjustment in the vesting schedule, or the restrictions upon or the term of, a Share Award granted under the Pre-IPO Share Incentive Plan by amendment, by substitution of an outstanding Share Award, by waiver or by other legally valid means.

(i) Limits on Transfers

Unless otherwise expressly provided in (or pursuant to) the Pre-IPO Share Incentive Plan, by applicable law and by the Award Agreement, as the same may be amended, and subject to certain limited exceptions, all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; Awards will be exercised only by the Participant; and amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Ordinary Shares, registered in the name of, the Participant.

(j) Adjustments

In the event of any reclassification, recapitalization, share dividend, share split or reverse share split; any merger, combination, consolidation, or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the Ordinary Shares; or any exchange of Ordinary Shares or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Ordinary Shares, the Administrator shall make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such change with respect to (i) the number and type of shares of Ordinary Shares (or other securities) that thereafter may be made the subject of Awards under the Pre-IPO Share Incentive Plan, (ii) the number,

amount and type of Ordinary Shares (or other securities or property) subject to any outstanding Awards, (iii) the grant, purchase, exercise or base price of any outstanding Awards, and (iv) the securities, cash or other property deliverable upon exercise or vesting of any outstanding Awards, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by the Pre-IPO Share Incentive Plan and the then-outstanding Awards.

(k) Amendment, termination and Suspension

The Board may, at any time, terminate or, from time to time, amend, modify or suspend the Pre-IPO Share Incentive Plan, in whole or in part.

Except with respect to amendments made pursuant to the above, no amendment, suspension or termination of the Pre-IPO Share Incentive Plan or amendment of any outstanding Award shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Company under any Award granted under the Pre-IPO Share Incentive Plan prior to the effective date of such change.

Outstanding options granted

The proposal to grant the options under the Pre-IPO Share Incentive Plan to the grantees as set out below has been approved by the Board. The overall limit on the number of underlying Ordinary shares pursuant to the Pre-IPO Share Incentive Plan is 162,010,040 Ordinary shares. The aggregate number of underlying Shares pursuant to the outstanding options and share awards granted under the Pre-IPO Share Incentive Plan is 71,910,000 Shares, representing approximately 6.43% of the total issued Shares immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans. As at the Latest Practicable Date, we had conditionally granted options to 322 participants under the Pre-IPO Share Incentive Plan. These grantees primarily consist of our current employees, and also include external consultants and ex-employees. All the options under the Pre-IPO Share Incentive Plan were granted between May 10, 2012 and October 9, 2018 (both days inclusive) and the Company will not grant further options under the Pre-IPO Share Incentive Plan after the Global Offering. The exercise price of all the options and share awards granted under the Pre-IPO Share Incentive Plan is between US$0.017 and US$1.342.

For the existing grantees who are our ex-employees, their employment with the Group was not terminated for cause. Pursuant to the terms of the Pre-IPO Share Incentive Plan, these grantees were required to exercise their options within 3 months of the date of cessation of their employment with the Group (i.e. the Severance Date). In view of their contribution to the Company, the Company has waived its right to terminate the outstanding options that remained unexercised by these ex-employees after the 3-month period. The outstanding options held by these ex-employees still remain valid as of the date of this prospectus.

No options have been granted to connected persons of the company (including directors of the company and the senior management) under the Pre-IPO Share Incentive Plan which are outstanding.

The tables below show the details of options granted to the grantees under the Pre-IPO Share Incentive Plan which are outstanding:

No.	Range of ordinary shares of par value of US$0.00001 each underlying outstanding options granted under the Pre-IPO Incentive Plan	Total number of grantee	Total number of ordinary shares of par value of US$0.00001 each underlying outstanding option	Exercise prices	Dates of grant	Exercise period	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering[(1)]
1	0 shares to 99,999 shares	165	4,952,500	From US$0.017 to US$0.2952	From May 10, 2012 to October 9 2018	10 years from the date of grant	4 years from the date of grant	0.44%
2	100,000 shares to 499,999 shares	113	17,947,500	From US$0.017 to US$0.2952	From May 10, 2012 to October 9 2018	10 years from the date of grant	4 years to 6 years from the date of grant	1.61%
3	500,000 shares to 999,999 shares	28	16,845,000	From US$0.017 to US$0.2952	From May 10, 2012 to September 17, 2018	10 years from the date of grant	4 years to 6 years from the date of grant	1.51%
4	1,000,000 shares or above	16	32,525,000	From US$0.017 to US$1.342	From May 10, 2012 to July 13, 2018	10 years from the date of grant	4 years to 6 years from the date of grant	2.91%
	Total	**322**	**71,910,000**					**6.43%**

Note:

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Equity Plans.

No.	Exercise prices	Total number of grantee	Total number of ordinary shares of par value of US$0.00001 each underlying outstanding option	Dates of grant	Vesting period	Exercise period	Approximate percentage of issued Shares immediately after completion of the Global Offering[(1)]
1	US$0.017	10	1,522,500	May 10, 2012	4 years from the date of grant	10 years from the date of grant	0.14%
2	US$0.035	36	6,140,000	From December 12, 2012 – January 2015	4 years from the date of grant	10 years from the date of grant	0.55%
3	US$0.11	35	8,947,500	From April 24, 2015 to September 15 2016	4 years from the date of grant	10 years from the date of grant	0.80%
4	US$0.198	166	18,040,000	From April 14, 2017 to April 13, 2018	4 years from the date of grant	10 years from the date of grant	1.61%
5	US$0.212	54	25,340,000	From May 14, 2018 to July 13, 2018	4 years to 6 years from the date of grant	10 years from the date of grant	2.27%
6	US$0.2952	99	10,420,000	From September 17, 2018 to October 9, 2018	4 years to 6 years from the date of grant	10 years from the date of grant	0.93%
7	US$1.342	1	1,500,000	July 13, 2018	6 years from the date of grant	10 years from the date of grant	0.13%
	Total	**401[(2)]**	**71,910,000**				**6.43%**

Notes:

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Equity Plans.

(2) Some of the grantees have been granted options under the Pre-IPO Share Incentive Plan at more than one exercise price. The total number of grantees who have been granted options under the Pre-IPO Shares Incentive Plan are 322.

Grantees who are not our employees and are granted options with more than 2,000,000 underlying Shares

The table below sets out the details of these grantees:

Name	Relationship with our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted	Approximate percentage of issued shares immediately after completion of the Global Offering[(1)]
Liu Xiaolin (劉曉琳)	Ex-employee	193, Zhonghai Du Shu Island, Wuzhong District, Suzhou	December 12, 2012	4 years from the date of grant	10 years from the date of grant	US$0.035	500,000	0.04%
			December 12, 2013	4 years from the date of grant	10 years from the date of grant	US$0.035	500,000	0.04%
			September 5, 2014	4 years from the date of grant	10 years from the date of grant	US$0.035	375,000	0.03%
			April 24, 2015	4 years from the date of grant	10 years from the date of grant	US$0.11	400,000	0.04%
			April 26, 2016	4 years from the date of grant	10 years from the date of grant	US$0.11	250,000	0.02%
Chen Shimei (陳石梅)	Consultant	3, Moon Bay, Suzhou Industrial Park	July 13, 2018	4 years from the date of grant	10 years from the date of grant	US$0.212	4,000,000	0.36%

Notes:

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Equity Plans.

(2) Liu Xiaolin (劉曉琳) formerly served as a senior vice president of research and development.

(3) Chen Shimei (陳石梅) provides consultancy services such as mathematical modeling, clinical development strategy and product registration strategy and data analysis, scientific publication strategy and product development consideration, etc to the Company.

Assuming full exercise of options under the Pre-IPO Share Incentive Plan, the shareholding of our Shareholders immediately following the Global Offering will be diluted by approximately 6.04% if calculated on 1,118,150,710 shares, representing the outstanding shares in issue immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no shares are issued pursuant to the Equity Plans). The consequent impact on the earnings per ordinary share for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018 is nil, nil and nil respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

2. Post-IPO ESOP

The following is a summary of the principal terms of the post-IPO share option scheme (the "**Post-IPO ESOP**") conditionally adopted by the resolutions in writing of our Shareholders passed on June 12, 2018.

(a) Purpose of the Post-IPO ESOP

The purpose of the Post-IPO ESOP is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO ESOP will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the Post-IPO ESOP

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO ESOP is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO ESOP and any other schemes is 111,815,071, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Incentive Plan). Options which have lapsed in accordance with the terms of the rules of the Post-IPO ESOP (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO ESOP and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO ESOP and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

(d) Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO ESOP and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates 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 for the purpose of calculating the exercise price pursuant to LR17.03(9).

(e) Performance target

The Post-IPO ESOP does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(f) Subscription price

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

(g) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or *create* any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO ESOP.

(h) Options granted to directors or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. The grantee, his associates and all core connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(i) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(j) Restriction of grant of options

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any selected participant where such person is in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Such period will also cover any period of delay in the publication of any results announcement.

(k) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(l) Cancellation of options

Any breaches of the rules of the Post-IPO ESOP by a grantee may result in the options granted to such grantee being cancelled by the Company. 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 ESOP (excluding the cancelled options) and in compliance with the terms of the Post-IPO ESOP.

(m) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the "**Option Period**");

(ii) the expiry of any of the periods for exercising the option as referred to in paragraphs (p), (q) and (r) below; and

(iii) the date on which the grantee commits a breach of the rules of the Post-IPO ESOP.

(n) Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

(o) Effects of alterations in the capital structure of the company

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares comprised in each option so far as unexercised; and/or

(ii) the Subscription Price; and/or

(iii) the method of exercise of the option,

or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by our Company.

(p) Retirement, death or permanent physical or mental disability of an selected participant

If a grantee ceases to be selected participant by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with the Group or its affiliate by reason of his/her permanent physical or mental disablement, (iii) retirement of the grantee, the option may be exercised within the Option Period, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, the option shall lapse.

If a grantee, being an employee whose employment is terminated by the Group or its affiliate (as applicable) by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the grantee having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be selected participant due to termination of his or her employment or contractual engagement with the Group by reason of redundancy, the option may be exercised within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

If a grantee ceases to be selected participant other than in any of the circumstances described above, unless otherwise provided in the option agreement, a grantee may exercise his or her option within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

(q) Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

If a compromise or arrangement between the Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO ESOP. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

(r) Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

(s) Ranking of shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank pari passu with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

(t) Duration

The Post-IPO ESOP shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO ESOP), but in all other respects the provisions of the Post-IPO ESOP shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO ESOP.

(u) Alteration of the Post-IPO ESOP

The Board may subject to the rules of the Post-IPO ESOP amend any of the provisions of the Post-IPO ESOP (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO ESOP, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO ESOP which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO ESOP in relation to any alteration of the terms of the Post-IPO ESOP shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO ESOP which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO ESOP. The options and the Post-IPO ESOP so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alternation to the terms of the Post-IPO ESOP must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO ESOP, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Law or the Takeovers Code.

(v) Termination

The Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO ESOP prior to the expiry of the Post-IPO ESOP and in such event no further options will be offered or granted but the provisions of the Post-IPO ESOP shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO ESOP. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO ESOP and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO ESOP shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO ESOP.

Details of the options granted, including options exercised or outstanding, under the Post-IPO ESOP shall be disclosed in the circular to the Shareholders seeking approval of the new scheme established after the termination of the Post-IPO ESOP.

(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.

3. RS PLAN

(a) Summary

The following is a summary of the principal terms of the Innovent Biologics, Inc. 2018 Restricted Share Plan (i.e. the RS Plan), as approved by the Shareholders on October 15, 2018. The terms of the RS Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the RS Plan will not involve the grant of options by us to subscribe for ordinary shares with a par value of US$0.00001 each once we have become a listed issuer. 55,907,535 Shares will be issued by the Company within two years of the Listing for distribution of Shares corresponding to Restricted Shares.

As of the Latest Practicable Date, our Company had not identified any grantee under the RS Plan.

(b) Purpose

The purpose of the RS Plan is to enable the directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

(c) Restricted Shares

An Award represents a grant of restricted shares ("**Restricted Shares**") to the grantees (the "**Grantees**"). Each Restricted Share shall represent the right to receive one Share (subject to any adjustment in accordance with the terms of the RS Plan due to changes of share capital of our Company) upon vesting. The number of Shares that are subject to outstanding awards of Restricted Shares granted under the RS Plan (the "**Award**s" and each of them, an Award) at any time shall not exceed the aggregate number of Restricted Shares that then remain available for distribution under the RS Plan. The grant of an Award to a Grantee shall be documented by and subject to an award agreement, in which the terms and conditions of the Award determined by the Committee shall be set out.

(d) Administration

The term of the RS Plan shall be ten (10) years from the date of approval and adoption of the RS Plan by the Board. The RS Plan shall be administered by a committee as designated by the Board from time to time (the "**Committee**"). Any decisions of the Committee shall be approved by the majority of the members of the Committee.

Subject to compliance with any applicable legal requirements relating to the administration of this plan and the grant of any Award, the Committee shall have the power and authority to grant Awards in accordance with the terms of the RS Plan, including the power and authority:

(a) to select any person who is a full-or part-time executive officer, senior vice president, department head, vice president or any other key contributor and employee of the Company or any subsidiary of the Company (an "**Eligible Person**") at the time of the grant to whom Awards may from time to time be granted;

(b) to determine the time or times of grant, and the extent, if any, of Awards granted to any one or more Grantees;

(c) to determine the number of Restricted Shares granted under any Award, subject to adjustment;

(d) to determine and modify the terms and conditions of any Award, and to approve the form of written instruments evidencing the Awards;

(e) to amend, with the consent of the Grantee, the terms of any outstanding Award at any time; to amend, without the consent of the Grantee, such terms where the amendment (i) does not materially and adversely affect the rights of the Grantee, or (ii) is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any applicable law, or (iii) pertains to the RS Plan or Award that specifically permits such amendment without consent;

(f) to accelerate at any time the vesting of all or any portion of any Award;

(g) to impose any limitations on Awards granted under the RS Plan;

(h) to appoint such agents as the Committee may deem in its absolute discretion appropriate to administer the RS Plan;

(i) to adopt, alter and repeal such rules, guidelines and practices for administration of the RS Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the RS Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the RS Plan; to decide all disputes arising in connection with the RS Plan; and

(j) to take any other action that the Committee deems necessary or desirable for the administration of the RS Plan.

All decisions of the Committee shall be binding on all persons, including the Company and the Grantees.

Neither the Board nor the Committee, nor any member of either or any delegatee thereof, shall be liable for any act or omission made in good faith in connection with the RS Plan.

(e) Grant of Restricted Shares

At the time of grant, the Committee shall specify the date or dates and/or any vesting or any other terms and conditions (which may include continuing employment or other service relationship, achievement of pre-established performance goals and objectives and/or such other conditions that the Committee deems appropriate in its sole and absolute discretion) on which Restricted Shares under an Award shall become vested.

To receive Shares underlying their Restricted Shares, Grantees must: (i) have been an employee of any member of the Group on a continuous and uninterrupted basis throughout the vesting periods of their Grant, and (ii) comply with any other additional obligations determined by the Committee (the "**Continued Employment Condition**"). If the Grantee ceases to meet the Continued Employment Condition at any time during any of the vesting periods of their Grant, he or she will automatically and without prior notice or consideration forfeit his or her Restricted Shares.

For the avoidance of doubt, such forfeiture applies to any one of the events listed below (subject in any event to the absolute discretion of the Committee:

Death. In the event of a Grantee's death, any unvested Restricted Shares will automatically be forfeited.

Disability. In the event of a Grantee's disability that results in (i) the Grantee being absolutely unable to exercise any profession whatsoever or (ii) the Grantee, being in his or her absolute inability to exercise a profession, also requires the assistance of a third party individual in order to complete ordinary acts of life, with such disability resulting in the Grantee ceasing to meet the Continued Employment Condition, any unvested Restricted Shares will automatically be forfeited.

*Voluntary resignation***.** In the event of a Grantee's expiration of term of his/her employment agreement or any voluntary resignation (except where such resignation is to be succeeded by such Grantee commencing (1) employment with any business which, in the sole opinion of the Committee, competes with the Company or (2) any other competitive relationship with the Company as considered and determined in the sole opinion of the Committee), any unvested Restricted Shares will automatically be forfeited.

Dismissal due to negligence. In the event of a Grantee's employment being terminated due to individual dereliction of duty as determined by the Committee, any unvested Restricted Shares will automatically be forfeited. Such forfeiture of Restricted Shares shall occur on the date of reception (or presentation) of the dismissal letter or the resignation letter, notwithstanding any notice period (regardless of whether it has been completed) or on the date of the termination of the employment agreement for other circumstances. If the Grantee is a

corporate officer, the forfeiture of Restricted Shares shall occur on the date of the expiration of term of his or her office, or on the date of his or her dismissal or of the notification of such dismissal. For corporate officers who are also employees with an employment agreement, the termination of the office does not lead to the forfeiture of the Restricted Shares so long as the employment agreement is maintained.

Notwithstanding the above and subject to the absolute discretion and determination of the Committee, the Grantee shall not forfeit his or her Restricted Shares in the event of (1) the Grantee's retirement or early retirement, (2) termination of his or her employment without cause, or (3) any other event determined in the sole opinion of the Committee to be an exception to the Continued Employment Condition.

If any Restricted Share is forfeited prior to vesting in accordance with the terms and conditions of the Award Agreement, then such Restricted Share shall be forfeited with immediate effect and of no further force or effect, and no payment shall be made to the Grantee in respect thereof.

(f) Changes in stock

Subject to the terms of the Restricted Shares, if the outstanding Shares are increased or decreased or are exchanged for a different number or kind of Shares or other securities of the Company, or additional Shares or new or different Shares or other securities of the Company or other non-cash assets are distributed with respect to such Shares or other securities, the Committee shall make an appropriate or proportionate adjustment in order to prevent dilution or enlargement of rights of the Grantees under the RS Plan.

Merger or demerger. In the event of a merger or a demerger of the Company, all provisions in this Plan, for the period remaining as from the exchange date, shall continue to apply to the rights received as a result of the exchange. If the Board determines that such Restricted Share shall vest, the Company shall as soon as possible prior to the date of the proposed shareholders' meeting, deliver the Shares underlying the Restricted Shares to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Winding Up. In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any Restricted Share, the Board shall determine at its discretion whether and the period when such Restricted Share shall vest. If the Board determines that such Restricted Share shall vest, the Company shall as soon as possible prior to the date of the proposed shareholders' meeting, deliver the Shares underlying the Restricted Shares to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Takeover. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to all of the shareholders of the Company (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, the Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive the Shares in respect of the vested Restricted Shares within any period specified in the notification.

Scheme of arrangement. If a general offer by way of scheme arrangement is made to all of the shareholders of the Company and has been approved by the necessary number of shareholders of the Company at the requisite meetings, the Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive the Shares in respect of the vested and unvested Restricted Shares within any period specified in the notification.

Compromise or arrangement. In the event of a compromise or arrangement between the Company and its shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all Grantees on the same day as it first gives notice of the meeting to its shareholders and/or creditors summoning the meeting to consider such a scheme or arrangement. The Grantee shall be entitled to receive the Shares in respect of the vested and unvested Restricted Shares within any period specified in the notification. In any event, the Company shall procure the Shares to be delivered to the Grantees no later than three days prior to the proposed meeting.

(g) Non-transferability of the awards and Shares

Unless otherwise determined by the Committee and so provided in the applicable Award Agreement, no Restricted Shares shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or pursuant to a domestic relations order. Failure to comply shall result in the Restricted Shares being forfeited.

(h) Rights of the grantees

Voting Rights. Where the Shares are delivered to and held by a nominee, trustee, or custodian appointed by the Company for the purpose of implementation of the Restricted Shares, regardless of whether the corresponding Restricted Shares have vested or not, such nominee, trustee or custodian shall, as provided in the applicable trust deed or other similar custodian documents entered into with the Company, exercise the shareholder's rights attached to the Shares, in particular, the right to vote at the Company's shareholders' meetings on behalf of the Grantees.

Dividends. No Grantee shall receive any payment with respect to the outstanding Restricted Shares under the Awards in the event the Company pays any dividend on the underlying Shares until such Restricted Shares become fully vested (provided always that the Grantees shall not be entitled to receive any dividend declared and distributed with respect to the Restricted Shares prior to the vesting of the same), unless otherwise provided in the Award Agreement. The Company may in its discretion implement mechanisms intended to reduce the costs associated with the dividend distributions.

Death. Each Grantee to whom an Award has been made under the RS Plan may designate a Grantee or beneficiaries to receive any vested Award or any payment under any Award payable on or after the Grantee's death. Such designation shall not be effective until received by the Committee.

Creditors' rights. With respect to any Award and any payments in cash, Shares or other consideration not received by a Grantee, a Grantee shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards.

(i) Tax withholding

Each Grantee shall, no later than the date as of which the value of an Award or other amounts received thereunder first becomes includable in the gross income of the Grantee for income tax purposes, pay to the Company or other applicable employer, or make arrangements satisfactory to the Committee regarding payment of, any national, federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its subsidiaries shall, to the extent permitted by law, have the right to (i) deduct any such taxes from any payment of any kind otherwise due to the Grantee or (ii) procure the sale of all or part of the Shares to satisfy the Grantee's obligations.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which have been granted under the Pre-IPO Share Incentive Plan).

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$2 million for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
J.P. Morgan Securities (Far East) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
China Merchants Securities (HK) Co., Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Han Kun Law Offices	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

The Company did not incur any material preliminary expenses.

8. Other Disclaimers

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "Further Information about our Business – Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(e) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to under the section headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Accountants' Report and the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II;

(c) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2016 and 2017 and the six months ended June 30, 2018;

(d) the PRC legal opinions issued by Han Kun Law Offices, our legal adviser on PRC law, in respect of certain general corporate matters and property interests of our Group;

(e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, summarising the constitution of the Company and certain aspects of the Cayman Companies Law referred to in Appendix III;

(f) the Cayman Companies Law;

(g) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview";

(h) the written consents referred to under the section headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV;

(i) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV;

(j) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV;

(k) the terms of the Pre-IPO Share Incentive Plan and a list of grantees under the Pre-IPO Share Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(l) the terms of the Post-IPO ESOP; and

(m) the terms of the RS Plan.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