翰森製藥
HANSOH PHARMA

Hansoh Pharmaceutical Group Company Limited
翰森製藥集團有限公司

(於開曼群島註冊成立的有限公司)

(股份代號：3692)

600百萬美元於二零二六年到期的零息可換股債券
(股份代號：40546)

刊發發售通函

本公告乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第37.39A條而刊發。

請參閱附載於本公告內日期為二零二一年一月十九日有關發行600百萬美元於二零二六年到期的零息可換股債券(「**債券**」)的發售通函(「**發售通函**」)。發售通函僅以英文刊發。

香港投資者須知：翰森製藥集團有限公司(「**本公司**」)確認，債券擬僅供專業投資者(定義見上市規則第三十七章)購買，並已按此基準在聯交所上市。因此，本公司確認，債券不適合作為香港散戶的投資。投資者應審慎考慮所涉及的風險。

發售通函並不構成向任何司法管轄區的公眾提呈出售任何證券的招股章程、通告、通函、冊子或廣告，亦並非向公眾發出邀請以作出認購或購買任何證券的要約，且不會派發以邀請公眾作出認購或購買任何證券的要約。

發售通函不得被視為認購或購買任何證券的誘勸，亦並非擬作有關誘勸。請勿根據發售通函所載的資料而作出任何投資決定。

承董事會命
翰森製藥集團有限公司
主席
鍾慧娟

香港，二零二一年一月二十五日

於本公告日期，董事會成員包括主席兼執行董事鍾慧娟女士、執行董事呂愛鋒先生及孫遠小姐；非執行董事馬翠芳女士；及獨立非執行董事林國強先生、陳尚偉先生及楊東濤女士。

IMPORTANT NOTICE

(NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES)

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS AND THE SHARES TO BE ISSUED UPON CONVERSION OF THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT TO THE EXTENT PERMITTED BY THE SUBSCRIPTION AGREEMENT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be addressees outside the United States (as defined in Regulation S under the Securities Act). The Offering Circular is being sent at your request and by accepting the electronic mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer (as defined in the Offering Circular) and Citigroup Global Markets Limited (the "**Sole Lead Manager**") that the electronic mail address that you gave the Issuer to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

Restrictions: The Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Issuer or the Sole Lead Manager or any person who controls the Sole Lead Manager or any director, officer, employee or agent of the Sole Lead Manager or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version. A hard copy version will be provided to you upon request.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Hansoh Pharmaceutical Group Company Limited
翰森製藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3692)

U.S.$600,000,000 Zero Coupon Convertible Bonds due 2026 convertible into ordinary shares of Hansoh Pharmaceutical Group Company Limited Issue Price: 100 per cent.

The Zero Coupon Convertible Bonds due 2026 in the aggregate principal amount of U.S.$600,000,000 (the "**Bonds**") will be issued by Hansoh Pharmaceutical Group Company Limited (the "**Issuer**" or the "**Company**") on January 22, 2021 (the "**Issue Date**"). The issue price will be 100 per cent. of the aggregate principal amount of the Bonds.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) (*Negative Pledge*) of the terms and conditions of the Bonds (the "**Terms and Conditions**" or the "**Conditions**")) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Subject as provided in the Terms and Conditions, each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 4, 2021 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the date falling ten days prior to January 22, 2026 (the "**Maturity Date**") into fully paid ordinary shares having a par value of HK$0.00001 each of the Issuer (the "**Shares**") at an initial conversion price of HK$60.00 per Share. The conversion price is subject to adjustment in the circumstances described under "*Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*". The Closing Price (as defined in the Terms and Conditions) of the Shares on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**SEHK**") on January 7, 2021 was HK$41.65 per Share.

The Bonds are zero coupon and do not bear interest.

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount on the Maturity Date. On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem all and not some only of the Bonds on the Optional Redemption Date (as defined in the Terms and Conditions) at their principal amount, (i) at any time after January 22, 2024, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions)), for 20 out of 30 consecutive Trading Days (as defined in the Terms and Conditions), the last of which occurs not more than 5 Trading Days prior to the date of the Optional Redemption Notice (as defined in the Terms and Conditions), was at least 125 per cent. of the Conversion Price (as defined in the Terms and Conditions) (translated into U.S. dollars at the Fixed Exchange Rate) then in effect for each of such 20 Trading Days; or (ii) at any time if, prior to the date the relevant Optional Redemption Notice (as defined in the Terms and Conditions) is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in aggregate principal amount of the Bonds originally issued (which shall for this purpose include any further Bonds issued pursuant to Condition 17 (*Further Issues*) of the Terms and Conditions). All and not some only of the Bonds may also be redeemed, at the option of the Issuer, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**"), on the date specified in the Tax Redemption Notice for such redemption (the "**Tax Redemption Date**") at its principal amount in the event of certain changes in, or amendment to, the laws or regulations of the PRC or the Cayman Islands, as further described in the Terms and Conditions, subject to the non-redemption option of each holder after the exercise by the Issuer of its tax redemption option as described in the Terms and Conditions. The holder of each Bond will also have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on January 22, 2024 (the "**Optional Put Date**") at their principal amount. The holder of each Bond will also have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds at their principal amount following the occurrence of a Relevant Event (as defined in the Terms and Conditions). See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation*".

The Issuer has made application for the pre-issuance registration (the "**Pre-Issuance Registration**") of the offering of the Bonds with the National Development and Reform Commission of the People's Republic of China or its local counterparts (the "**NDRC**") in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on September 14, 2015 (the "**NDRC Circular**"). The Issuer has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated November 19, 2020 from the NDRC (the "**Pre-Issuance Registration Certificate**") with respect to the Pre-Issuance Registration, and as at the date of this Offering Circular, the Pre-Issuance Registration Certificate remains valid and in full force and effect. Pursuant to the requirements of the NDRC Circular, the Issuer will undertake to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the NDRC Circular and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-Issuance Filing**").

Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) ("**Professional Investors**") only. **This document is for distribution to Professional Investors only.**

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, 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 Offering Circular.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Investors should be aware that the Bonds are unsecured, that there are risks attached to exercise of Conversion Rights of the Bonds, and that there are various other risks relating to the Bonds and the Issuer and its subsidiaries, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Bonds. See "*Risk Factors*" beginning on page 12.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or other securities laws and, subject to certain exemptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*."

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer as defined in the Listing Rules ("**Connected Persons**"). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and Citigroup Global Markets Limited (the "**Sole Lead Manager**") that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person (as defined in the Listing Rules) of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Sole Lead Manager that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the "**SFC**"), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Citigroup

Offering Circular dated January 19, 2021

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NOTICE TO INVESTORS

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds (the "**Offering**") described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice. This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Issuer confirms that (i) this Offering Circular contains all information which is (in the context of the issue, offering and sale of Bonds) material, such information will be true and accurate in all material respects and not misleading; any opinions, predictions or intentions expressed in this Offering Circular are honestly held or made and are not misleading, and all proper enquiries have been made to ascertain or verify the accuracy of the foregoing; this Offering Circular does not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; and (ii) this Offering Circular contains all such information that a professional investor would customarily expect such document to contain. The Issuer accepts responsibility accordingly.

This Offering Circular does not constitute an offer or an invitation by or on behalf of the Sole Lead Manager or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law in such jurisdictions where such an offer and sales is not permitted. Persons into whose possession this Offering Circular comes are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, the European Economic Area (the "**EEA**") and the Cayman Islands, and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "*Subscription and Sale*". The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

None of the Sole Lead Manager, Citicorp International Limited as trustee for itself and the holders of the Bonds (the "**Trustee**") or the Agents (as defined in the Terms and Conditions) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates has separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds or Shares, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty, express or implied, by the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates. Each person receiving this Offering Circular acknowledges that such person has not relied on the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Group and the merits and risks involved in investing in the Bonds.

To the fullest extent permitted by law, none of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates accepts any responsibility for the contents of this Offering Circular. The Sole Lead Manager, the Trustee and the Agents and their respective directors, officers, employees, agents, advisers, representatives and affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it or they might otherwise have in respect of this Offering Circular or any such statement. None of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the Issuer's or the Group's business, financial condition, results of operations, prospects or affairs for so long as any Bond remains outstanding or to advise any investor or potential investor in the Bonds of any information coming to the attention of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group, the Bonds or the Shares. In making an investment decision, prospective investors must rely on their examination of the Issuer, the Group and the terms of this Offering, including the merits and risks involved. The Bonds have not been approved or recommended by any Hong Kong or other regulatory authority. Furthermore, the contents of this Offering Circular have not been reviewed by any Hong Kong or other regulatory authority. The foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this Offering Circular. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able or advisable to purchase the Bonds under applicable laws or regulations.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Bonds are not intended to be initially placed and may not be initially placed to any Connected Person. Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and the Sole Lead Manager that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and the Sole Lead Manager that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the SFC, disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Bonds (or any beneficial interests therein) from the Issuer and/or the Sole Lead Manager, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both of their agent and their underlying client.

PRIIPs REGULATION-PROHIBITION OF SALES TO EEA RETAIL INVESTORS ("EEA") RETAIL INVESTORS: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION-PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which you should consider when reading the information herein. The terms the "Company" or the "Issuer" are referring to Hansoh Pharmaceutical Group Company Limited and the term the "Group" is referring to the Company and its subsidiaries taken as a whole. The terms "we", "us", "our" and words of similar import are referring to the Company or the Group, as the context requires.

Market data and certain industry forecasts used throughout this Offering Circular have been obtained by the Group based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, market research, publicly available information and industry publications, while believed to be reliable, have not been independently verified, and neither the Group nor the Sole Lead Manager makes any representation as to the reliability or accuracy and completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Issuer and the Group and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this Offering Circular relating to the PRC and the pharmaceutical industry in the PRC were taken or derived from various government and private publications. Neither the Group nor the Sole Lead Manager makes any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

Unless otherwise specified or the context requires, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" and "**HKD**" are to the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), references herein to "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America (the "**United States**" or the "**U.S.**") and references herein to "**Renminbi**" and "**RMB**" are to the lawful currency of the People's Republic of China (the "**PRC**" or "**China**").

Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.0651 to U.S.$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System on June 30, 2020. All such translations in this Offering Circular are provided solely for each investor's convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

References to the "**PRC**" and "**China**", for the purposes of this Offering Circular, except where the context requires, do not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China ("**Macau**") and Taiwan. "**PRC government**" or "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

In this Offering Circular, unless the context otherwise requires, all references to "affiliate" are to a person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Listing Rules.

Unless the context otherwise requires, references to "2017", "2018" and "2019" in this Offering Circular are to the Group's financial years ended December 31, 2017, 2018 and 2019, respectively.

GLOSSARY OF TECHNICAL TERMS

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

"active pharmaceutical ingredient", or "API"	the substance in a pharmaceutical drug that is biologically active
"agomelatine"	an anti-depressant
"antibiotics"	a substance, such as penicillin or streptomycin, produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"anti-depressant"	a drug used to prevent or treat clinical depression
"anti-infective"	an agent that is capable of acting against infection, either by inhibiting the spread of an infectious agent or by killing the infectious agent outright; anti-infectives can be further classified into anti-fungal, anti-bacterial, anti-viral and other types
"anti-ulcerant"	a class of drugs, exclusive of the antibacterial agents, used to treat ulcers in the stomach and the upper part of the small intestine
"apixaban"	a factor Xa inhibitor used to prevent venous thromboembolic events and hip or knee arthroplasty
"Bcr-Abl"	a fusion gene formed by the ABL gene from chromosome 9 joining to the BCR gene on chromosome 22, which is found in most patients with chronic myelogenous leukemia (CML), and in some patients with acute lymphoblastic leukemia (ALL) or acute myelogenous leukemia (AML)
"bioequivalence"	the relationship between two preparations of the same drug in the same dosage form that have a similar bioavailability
"bipolar affective disorder"	a mood disorder that causes radical emotional changes and mood swings, from manic, restless highs to depressive, listless lows
"bortezomib"	an anticancer drug
"canagliflozin"	a medication used for the treatment of type II diabetes
"cancer"	cancer is not just one disease, but a large group of almost 100 diseases. Its two main characteristics are uncontrolled growth of the cells in the human body and the ability of these cells to migrate from the original site and spread to distant sites
"cardiovascular"	pertaining to the heart and blood vessels

"Category 1.1"	under the NMPA classification system, Category 1.1 refers to innovative drugs that contain new chemical entities with clinical value and have never been marketed anywhere in the world. In the past, innovative new molecular entities were classified as Category 1.1 innovative drugs. On March 4, 2016, the NMPA reformed its classification system to incorporate the previous category 1.1 innovative drugs into a newly created Category 1. For purposes of this Offering Circular and in order to highlight our research and development focus with regards to innovative drugs, we have retained the old classification system and refer to our innovative drugs and drug candidates as Category 1.1 innovative drugs
"central nervous system", or "CNS"	the brain and spinal cord; in this Offering Circular, CNS also refers to the therapeutic area dealing with the brain and spiral cord diseases, as appropriate, which is in line with the Anatomical Therapeutic Chemical Classification, an internationally accepted classification system for medicines that is maintained by the World Health Organization
"CDE".....	Center for Drug Evaluation, a division of the NMPA
"cGMP"	current Good Manufacturing Practice
"chemotherapy"	the therapeutic use of chemical agents to treat cancers
"compounds".....	a substance consisting of two or more elements in union
"CML"	chronic myelogenous leukemia, a kind of bone marrow proliferative malignant tumor characterized by the formation of Bcr-Abl fusion gene
"decitabine"	an anticancer chemotherapy drug
"depression".....	a mental state of altered mood characterized by feelings of sadness, despair, and discouragement
"diabetes"	a chronic disease that occurs either when the pancreas does not produce enough insulin or when the body cannot effectively use the insulin it produces
"EDQM"	European Directorate for the Quality of Medicines
"EGFR"	epidermal growth factor receptor
"enteric-coated"	coated with a material that permits transit through the stomach to the small intestine before the medications is released
"first-to-market generic drug".....	generic drugs that first received approval to be marketed
"flumatinib mesylate"	a tyrosine kinase inhibitor, and it is the second-generation TK inhibitor drug targeting Bcr-Abl, a certain type of gene

"gastrointestinal"	a subspecialty of internal medicine concerned with the study of the physiology and diseases of the digestive system
"gemcitabine hydrochloride".....	an anticancer drug
"generic drug"	a drug that is no longer under patent protection, which may be produced by any manufacturer which follows good manufacturing protocols
"GMP".....	Good Manufacturing Practice, guidelines and regulations issued from time to time pursuant to the PRC Law on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) as part of quality assurance which ensures that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use
"imatinib mesylate"	an anticancer drug
"indication".....	a valid reason to use a certain test, medication, procedure or surgery
"inhibitor".....	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"injectables".....	a form in which medicines may be delivered via injection into the human body in a sterile liquid form
"injection".....	sterile solution injection, emulsion injection or suspension injection which can be applied by way of intramuscular injection, intravenous injection or intravenous drip
"insulin".....	a substance that the human body makes and uses to turn sugar into energy
"KFDA".....	Korea Food and Drug Administration
"leukemia".....	cancer that starts in blood-forming tissue, such as the bone marrow, and causes large numbers of abnormal blood cells to be produced and enter the bloodstream
"linezolid".....	an antibiotic
"lung cancer".....	cancer that forms in tissues of the lung, usually in the cells lining air passages
"lyophilized powder"	soluble drug in powder form for injection which is prepared through the process of freezing, sublimation and dehydration under low temperature and low pressure conditions
"metastasis"	the spread of cancer from one part of the body to another
"micafungin".....	an anti-infective drug

"morinidazole"	an anti-infective drug
"NDA"	new drug application
"NMEs"	new molecular entities
"NMPA"	National Medical Products Administration (國家藥品監督管理局) of China, formerly known as China's Food and Drug Administration ("CFDA") (國家食品藥品監督管理局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA and CDA
"non-small cell lung cancer" or "NSCLC"	any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung cancer
"NRDL"	China's National Reimbursement Drug List
"olanzapine"	an atypical antipsychotic
"oncology"	the branch of medicine dealing with the physical, chemical, and biological properties of tumors, including study of their development, diagnosis, treatment, and prevention
"pancreas"	a gland organ in the digestive and endocrine system
"pemetrexed"	a chemotherapy drug
"Phase I clinical trials"	Phase I clinical trials aim to test the safety of a new medicine
"Phase II clinical trials"	Phase II clinical trials test the new medicine on a larger group of people who are ill, to get a better idea of whether it works and how well it works in the short-term
"Phase III clinical trials"	Phase III clinical trials are for medicines that have already passed Phases I and II which test medicines in larger groups of people who are ill, and compare a new medicine against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
"PMDA"	Pharmaceuticals and Medical Devices Agency of Japan
"polyethylene glycol loxenatide"	a GLP-1 receptor agonist that is expected to be used for the treatment of type II diabetes
"provincial medical insurance catalogue"	the basic medical insurance, work injury insurance and maternity insurance drugs catalogue, issued by the provincial, municipal or autonomous region's human resource and social security agency
"prucalopride succinate"	a highly selective 5-HT4 receptor agonist for the treatment of severe chronic constipation
"rabeprazole"	an anti-ulcerant

"repaglinide"	an antidiabetic drug
"schizophrenia"	a psychotic disorder (or a group of disorders) marked by severely impaired thinking, emotions, and behaviors
"tablets"	a medicinal formulation made of a compressed powdered substance containing an active drug and excipients
"tigecycline"	an antibiotic
"TKI" or "TK inhibitor"	tyrosine kinase inhibitor
"translational medicine"	an area of research that aims to improve human health and longevity by determining the relevance to human disease of novel discoveries in the biological sciences
"tumors"	an abnormal growth of tissue resulting from uncontrolled, progressive multiplication of cells
"U.S. FDA"	U.S. Food and Drug Administration

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements." All statements contained in this Offering Circular that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would", or similar words or the negatives thereof. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategies, revenue and profitability, planned projects and other matters discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Group or by any third party) involve known and unknown risks, including those disclosed under the caption "*Risk Factors*", uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause the our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- the duration of the COVID-19 outbreak and its potential impact on our business and financial performance;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. The Company cautions investors not to place undue reliance on these forward-looking statements which reflect their management's view only as at the date of this Offering Circular. The Company does not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

PRESENTATION AND INCORPORATION OF FINANCIAL INFORMATION

The Company's consolidated financial information as at and for the years ended December 31, 2017, 2018 and 2019 have been extracted from the consolidated financial information of the Company as at and for the year ended December 31, 2017 and 2018 (as disclosed in the Company's prospectus dated May 31, 2019) and the consolidated financial information of the Company for the year ended December 31, 2019 (as disclosed in the Company's 2019 annual report), which have been audited by Ernst & Young ("**EY**"), the independent auditors of the Company and incorporated by reference in this Offering Circular. The Company prepares its consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. See "*Selected Consolidated Financial Information and Other Data*" for details.

The Company's unaudited consolidated financial information as at and for each of the six months ended June 30, 2019 and 2020 has been extracted from the unaudited consolidated financial information of the Company for each of the six months ended June 30, 2019 and 2020 (as disclosed in the Company's interim results announcement for the six months ended June 30, 2020), which has been reviewed by EY 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 Hong Kong Institute of Certified Public Accountants and incorporated by reference in this Offering Circular. The Company prepares its consolidated financial statements in accordance with HKFRS and accounting principles generally accepted in Hong Kong.

There can be no assurance that if the Company's unaudited consolidated interim financial information for each of the six months ended June 30, 2019 and 2020 had been audited that there would be no change in the financial information and that such changes would not be material. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such date to evaluate the Issuer's financial condition, results of operations and results.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column. Potential investors should not construe any exchange rate translations as representations that the relevant exchange and amounts could actually be converted into the amounts expressed.

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including "Risk Factors", to determine whether an investment in the Bonds is appropriate.

OVERVIEW

We are one of the leading research and development-driven pharmaceutical companies in China, devoting ourselves to meeting the unmet clinical needs of patients and improving the health and well-being of human beings through continuing innovation. We have established a leading position in some of China's largest and fastest-growing therapeutic areas with significant unmet clinical needs, including central nervous system ("**CNS**") diseases, oncology, anti-infectives and diabetes. We also focus on the gastrointestinal and cardiovascular therapeutic areas.

Our diversified product portfolio includes 20 main products. Most of these products are in the CNS disease, oncology, anti-infective and the other main therapeutic areas that we strategically target. Among our main products, Mailingda, Fulaimei, Hansoh Xinfu and Ameile are Category 1.1 innovative drugs, Oulanning, Ameining, Pulaile, Zefei, Xinwei, Xintai, Tanneng, Zetan, Hengjie, Hengsen, Fulaidi, Fulairui, Ruibote, Zexin are first-to-market generic drugs, and Xinmei is a generic drug. We also have a robust pipeline of candidate products in different stages of development. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

We have a proven track record of over 20 years of R&D experience, as evidenced by our leading position in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. We began development of Category 1.1 innovative drugs in 2002. As of June 30, 2020, we had successfully developed and marketed four Category 1.1 innovative drugs with new molecular entities. Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, chemistry & manufacturing controls as well as clinical development, which enable our high efficiency in developing new drugs. We have developed various proprietary technologies, including a proprietary PEGylation technology, which we used to successfully develop and launch Fulaimai, a Category 1.1 innovative drug. We have successfully launched and developed a series of innovative drugs and first-to-market generic drugs. Our track record of successful commercialization has enabled us to continue to make significant investments into our R&D pipeline. Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments, including the consistency evaluation requirement imposed by the NMPA since 2016.

We market and sell our products through an effective in-house team of sales professionals. Our patient-centric and clinical-data-driven academic promotion activities increase the knowledge and awareness of the clinical benefits of our products and enhance our brand-awareness among doctors and other medical professionals. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas.

We have established world-class facilities and a manufacturing quality management system that comply with the cGMP requirements in China, the United States and Japan. Our advanced manufacturing quality management system is also critical for pursuing consistency evaluation approvals for our generic drugs.

Our large portfolio of marketed drugs has enabled us to achieve strong financial results. Our revenue was RMB6,185.5 million, RMB7,722.3 million, RMB8,682.7 million in 2017, 2018 and 2019, respectively, representing a year-on-year growth of 24.8% and 12.4%, respectively, from 2017 to 2019. Our revenue was RMB4,599.4 million and RMB3,979.5 million in the six months ended June 30, 2019 and 2020, respectively. Our net profit was RMB1,595.5 million, RMB1,903.0 million and RMB2,556.7 million in 2017, 2018 and 2019, respectively, representing year-on-year growth of 19.3% and 34.4%, respectively, from 2017 to 2019. Our net profit was RMB1,296.0 million and RMB1,221.8 million in the six months ended June 30, 2019 and 2020, respectively. For 2017, 2018 and 2019, our gross profit margin was 92.6%, 92.2% and 91.6%, respectively, and our net profit margin was 25.8%, 24.6% and 29.4%, respectively. For the six months ended June 30, 2019 and 2020, our gross profit margin was 91.7% and 91.0%, respectively, and our net profit margin was 28.2% and 30.7%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

- one of the few R&D-driven Chinese pharmaceutical companies with a broad, diversified and leading drug portfolio in multiple large and fast-growing therapeutic areas;
- superior R&D capabilities as evidenced by our leading position in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011;
- effective in-house sales force with therapeutic area focus and strong academic promotion capabilities;
- U.S. FDA-certified manufacturing quality management system enabling us to export injectable pharmaceuticals to developed markets; and
- a visionary management team with deep insights into the industry and a strong sense of mission.

OUR STRATEGIES

We aim to extend our market leadership in our focused therapeutic areas in China. Over the long term, our objective is to become a global innovative pharmaceutical company and address significant unmet clinical needs. To achieve these goals, we intend to pursue the following strategies:

- strengthen research and development of our innovative drug candidates;
- continue to strengthen our first-to-market generic drug portfolio;
- continue to optimize our integrated and specialized academic sales and marketing system;
- maintain world-class facilities and manufacturing quality management system;
- train and recruit high-caliber talent; and
- expand our business and product portfolio through selective acquisitions and strategic investments.

THE OFFERING

The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Description of the Global Certificate" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Hansoh Pharmaceutical Group Company Limited.
Issue	U.S.$600,000,000 Zero Coupon Convertible Bonds due 2026 convertible at the option of the holder thereof into fully paid Shares of the Issuer.
Shares	Ordinary shares having a par value of HK$0.00001 each in the share capital of the Issuer.
Issue Price	100 per cent. of the principal amount of the Bonds.
Form and Denomination of the Bonds.....	The Bonds will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest.....	The Bonds will be zero coupon and will not bear interest. See "*Terms and Conditions of the Bonds – Interest*".
Issue Date	22 January 2021.
Maturity Date.....	22 January 2026.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries (as defined in the Terms and Conditions) will, create, permit to subsist or arise, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Charge**") (other than a security interest arising by operation of law) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless at the same time or prior thereto according to the Bonds: (a) the same Charge as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably; or (b) such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders. See "*Terms and Conditions of the Bonds – Covenants – Negative Pledge*".

Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. See "*Terms and Conditions of the Bonds – Status*".
Taxation	All payments made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or the Cayman Islands or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. If the Issuer is required to make a deduction or withholding (i) by or within the PRC in excess of the aggregate rate applicable on 7 January 2021 or (ii) by or within the Cayman Islands, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except in the circumstances specified in Condition 9 (*Taxation*) of the Terms and Conditions. See "*Terms and Conditions of the Bonds – Taxation*".

Conversion Right and Period	Subject as provided in the Terms and Conditions, each Bond shall entitle the holder to convert such Bond into Shares credited as fully paid at any time during the Conversion Period referred to below (the "**Conversion Right**"). Subject to and upon compliance with the Terms and Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as provided in the Terms and Conditions) on or after 4 March 2021 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling ten days prior to the Maturity Date (both days inclusive) (but, except as provided in Condition 6A)(iii) (*Revival and/or survival after Default*) of the Terms and Conditions in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) (*Redemption for Delisting or Change of Control*) or Condition 8(E) (*Redemption at the option of the Bondholders*) of the Terms and Conditions then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the "**Conversion Period**"). See "*Terms and Conditions of the Bonds – Conversion Right"*.
Conversion Price	The price at which Shares will be issued upon exercise of a Conversion Right will initially be HK$60.00 per Share, but will be subject to adjustments for, among other things, consolidation, subdivision or reclassification, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights on conversion, other offers to shareholders and other events as described in the Terms and Conditions. See "*Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*" *and "Terms and Conditions of the Bonds – Conversion – Adjustment upon Change of Control*".
Cash Election	Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in U.S. dollars equal to the Cash Settlement Amount in order to satisfy such Conversion Right in full or in part (in which case the other part shall be satisfied by the delivery of Shares). See "*Terms and Conditions of the Bonds – Conversion – Conversion Procedure and Cash Election – Cash Election*".
Final Redemption	Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Issuer will redeem each Bond at its principal amount on the Maturity Date. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Maturity"*.

Redemption for Taxation Reasons.....	The Issuer may redeem all and not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with the Terms and Conditions (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption at its principal amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (a) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or the Cayman Islands, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 January 2021, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that his Bond(s) shall not be redeemed. Upon a Bondholder electing not to have its Bonds redeemed in such circumstances, any payments due after the relevant date of redemption shall be made subject to any deduction or withholding of any tax required to be deducted or withheld. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Taxation Reasons*".
Redemption at the Option of the Issuer.....	On giving not less than 30 nor more than 60 days' notice, the Issuer shall redeem all and not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Option Redemption Notice at their principal amount: (i) at any time after 22 January 2024, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions)), for 20 out of 30 consecutive Trading Days (as defined in the Terms and Conditions), the last of which occurs not more than 5 Trading Days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)) then in effect for each of the 20 Trading Days; or (ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in aggregate principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 17 (*Further Issues*) of the Terms and Conditions). See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Issuer*".

Redemption for Delisting or Change of Control	Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date (as defined in the Terms and Conditions) at their principal amount. A "**Relevant Event**" occurs: (i) when the Shares cease to be listed or admitted to trading or are suspended from trading on the Main Board of the Hong Kong Stock Exchange for a period equal to or exceeding 30 consecutive Trading Days; or (ii) there is a Change of Control (as defined in the Terms and Conditions). See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Delisting or Change of Control*".
Company Lock-up	The Company has agreed in the Subscription Agreement that neither the Company nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Sole Lead Manager between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (as defined in the Subscription Agreement) (both dates inclusive); except for (i) the Bonds and the Shares to be issued on conversion of the Bonds and (ii) any issue of Shares under the restricted share unit scheme as disclosed in the prospectus of the Issuer dated 31 May 2019.
Cross Acceleration	The Bonds may be accelerated in the event of, *inter alia*, a default relating to the Issuer or any of its Subsidiaries in respect of indebtedness which equals or exceeds U.S.$50 million or its equivalent in any other currency. For a description of certain other events that will permit the Bonds to become immediately due and payable at their principal amount, see "*Terms and Conditions of the Bonds – Events of Default*".

Further Issues	The Issuer may, from time to time without the consent of the Bondholders create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in the Conditions in relation to the NDRC Post-Issuance Filing (as defined in the Terms and Conditions)) and so that such further issue shall be consolidated and form a single series with the Bonds. See "*Terms and Conditions of the Bonds – Further Issues*".
Clearing	The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.
Governing Law	The Bonds and any non-contractual obligations arising out of or in connection with them will be governed by and will be construed in accordance with English law.
Legal Entity Identifier	254900Q6MR00EBXTPF42.
ISIN	XS2284144339.
Common Code	228414433.
Listing and Trading of the Bonds	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds to Professional Investors only and formal permission is expected to become effective on 25 January 2021.
Listing of Shares	The Shares are listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of the Shares issuable upon conversion of the Bonds (the "**New Shares**").
Trustee	Citicorp International Limited.
Registrar	Citigroup Global Markets Europe AG.
Principal Paying Agent, Transfer Agent and Principal Conversion Agent	Citibank, N.A., London Branch.
Rating of the Bonds	The Bonds are not, and are not expected to be, rated by any rating agency.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, EEA, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, and the Cayman Islands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "*Subscription and Sale*".

Global Certificate.....	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a common depositary for Euroclear and Clearstream, payments of principal in respect of the Bonds represented by the Global Certificate will be made without presentation and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to Bondholders for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Use of Proceeds	See "*Use of Proceeds*".
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

Consolidated Statement of Profit or Loss

	For the years ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	6,185,537	7,722,278	8,682,746	4,599,422	3,979,518
Cost of sales	(455,171)	(603,100)	(729,540)	(381,940)	(357,865)
Gross profit	5,730,366	7,119,178	7,953,206	4,217,482	3,621,653
Other income	93,230	77,953	221,219	73,556	113,377
Selling and distribution expenses	(2,704,200)	(3,208,680)	(3,266,380)	(1,810,224)	(1,447,427)
Administrative expenses	(614,075)	(790,158)	(777,692)	(388,785)	(348,570)
Research and development costs	(575,544)	(881,288)	(1,120,681)	(557,849)	(476,377)
Other gains/(expenses), net	3,014	(7,680)	(8,747)	11,178	30,938
Profit before tax	1,932,791	2,309,325	3,000,925	1,545,358	1,493,594
Income tax expense	(337,318)	(406,277)	(444,183)	(249,321)	(271,760)
Profit for the year/period	1,595,473	1,903,048	2,556,742	1,296,037	1,221,834
Attributable to:					
Owners of the parent	1,595,473	1,903,048	2,556,742	1,296,037	1,221,834

Consolidated Statement of Comprehensive Income

	For the years ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Profit for the year/period	1,595,473	1,903,048	2,556,742	1,296,037	1,221,834
Other comprehensive income/(loss)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(51,121)	46,160	185,286	30,949	144,155
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(51,121)	46,160	185,286	30,949	144,155
Other comprehensive income/(loss) for the year/period, net of tax	(51,121)	46,160	185,286	30,949	144,155
Total comprehensive income for the year/period	1,544,352	1,949,208	2,742,028	1,326,986	1,365,989
Attributable to:					
Owners of the parent	1,544,352	1,949,208	2,742,028	1,326,986	1,365,989

Consolidated Statement of Financial Position

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000
Non-current assets				
Property, plant and equipment	1,171,490	1,381,825	1,740,832	1,792,514
Right-of-use assets	–	–	187,100	201,522
Prepaid land lease payments	117,626	138,847	–	–
Intangible assets	9,178	10,475	4,568	8,257
Financial assets at fair value through profit or loss	–	–	–	6,966
Prepayments for purchase of property, plant and equipment	157,887	199,039	194,706	303,994
Total non-current assets	1,456,181	1,730,186	2,127,206	2,313,253
Current assets				
Inventories	439,355	479,664	414,348	385,425
Trade and bills receivables	2,192,518	2,645,207	2,245,959	2,380,816
Prepayments, other receivables and other assets	62,382	66,252	193,772	107,216
Financial assets at fair value through profit or loss	607,722	2,016,439	2,772,040	1,578,000
Other financial assets	849,446	511,792	3,583,457	9,805,167
Cash and bank balances	266,444	964,831	8,238,422	5,487,608
Total current assets	4,417,867	6,684,185	17,447,998	19,744,232
Current liabilities				
Trade and bills payables	98,794	158,810	192,850	102,577
Other payables and accruals	1,024,006	1,460,221	1,762,676	2,085,644
Contract liabilities	41,512	36,311	40,469	57,138
Lease liabilities	–	–	3,653	7,033
Tax payable	63,362	48,443	40,684	1,073
Dividends payable	–	2,800,000	4,200,000	2,000,000
Total current liabilities	1,227,674	4,503,785	6,240,332	4,253,465
Net current assets	3,190,193	2,180,400	11,207,666	15,490,767
Total assets less current liabilities	4,646,374	3,910,586	13,334,872	17,804,020
Non-current liabilities				
Dividends payable	–	1,200,000	–	–
Lease liabilities	–	–	5,783	18,702
Deferred tax liabilities	127,684	242,688	284,767	185,953
Total non-current liabilities	127,684	1,442,688	290,550	204,655
Net assets	4,518,690	2,467,898	13,044,322	17,599,365
Equity				
Equity attributable to owners of the parent				
Share capital	1	1	51	52
Reserves	4,518,689	2,467,897	13,044,271	17,599,313
	4,518,690	2,467,898	13,044,322	17,599,365
Non-controlling interests	–	–	–	–
Total equity	4,518,690	2,467,898	13,044,322	17,599,365

RISK FACTORS

An investment in the Bonds is subject to significant risks. Investors should carefully consider, together with all other information contained in this Offering Circular and, in particular, the risks and uncertainties described below. Our business, financial condition or results of operations may be materially adversely affected by any of these risks. The risks described below are not the only ones relevant to us or the Bonds. Additional risks and uncertainties not presently known to us, or which we currently consider immaterial, may also have an adverse effect on an investment in the Bonds. The market price of the Bonds could decline due to any of these risks, and investors may lose all or part of their investments.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If our products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, our sales and profitability could be adversely affected.

Under medical insurance programs in the PRC, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in the NRDL, relevant provincial medical insurance catalogues or included in provincial insurance schemes regarding special medications for the treatment of major diseases. Consequently, the inclusion or exclusion of a pharmaceutical product in or from any of these medical insurance catalogues or any limitation imposed on the coverage of a pharmaceutical product will significantly affect patient demand in the PRC.

The inclusion of pharmaceutical products by the relevant authorities into a medical insurance catalogue in the PRC is based on a variety of factors, including efficacy, safety and price, which may be outside of our control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise, or change the scope of reimbursement for, the products that are listed in any medical insurance catalogue. There can be no assurance that any of our products currently listed in these medical insurance catalogues will remain listed, or that changes in the scope of reimbursement will not negatively affect our product sales. If any of our products or their indications are removed from any medical insurance catalogue, or if the scope of reimbursement is reduced, demand for our products may decrease and our revenues and profitability could be adversely affected.

If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender process, we will lose market share and our revenue and profitability could be adversely affected.

The majority of the pharmaceutical products we sell to our distributors are then sold to public hospitals and other medical institutions in China. Each public medical institution in China must generally procure drugs through a provincial centralized drug purchase platform, and make substantially all of its purchases of pharmaceutical products through a centralized tender process. We submit bids in a centralized tender process to supply our products to these institutions at specified prices. Our bids are generally considered on the basis of price relative to substitute products and their clinical effectiveness, as well as the quality of our products and services, among other things. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public hospitals and other medical institutions at the bid prices, which is the primary determinant of the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products.

Our sales volumes and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the centralized tender process at profitable levels. If we are unable to do so, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant PRC public hospitals and other medical institutions, which may have a material and adverse impact on our market share and results of operations.

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

The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease.

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

Unapproved imports of prescription drugs from foreign countries are illegal under the 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. Cross-border imports from lower-priced markets into higher priced markets could harm sales of our drug products and exert commercial pressure on pricing. Relevant laws and regulations may not be effectively enforced to prevent such illegal imports. Moreover, there can be no assurance that relevant government authorities will not change regulations or policies in the future with respect to imports of prescription drugs from foreign countries.

Prior to June 1, 2015, pricing regulation in the PRC pharmaceutical industry was mainly in the form of maximum retail prices on pharmaceutical products included in the relevant national or provincial medical insurance catalogues. These retail price ceilings were historically determined by the NDRC based on a variety of factors, including the profit margins enjoyed by manufacturers and deemed reasonable by the relevant government authorities, the product's type, quality and production costs, as well as the prices of substitute pharmaceutical products. Although there is no control over the wholesale prices at which pharmaceutical manufacturers in the PRC sell their products to distributors, control over and downward adjustments on retail prices of our products could increase pricing pressure in any subsequent centralized tender process at the provincial level and indirectly limit the wholesale prices at which we can sell the relevant products to our distributors.

In May 2015, pursuant to a notice issued by seven PRC state agencies, including the NDRC and the NMPA, government price controls on most pharmaceutical products were lifted effective as of June 1, 2015. As a result, prices of pharmaceutical products are currently determined mainly by market competition through the centralized tender process at the provincial level, without being subject to price ceilings set by the NDRC. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the same products at more competitive prices may force us to lower prices of our products upon commercialization to the previous government-controlled price levels. In addition, some new methods are used in recent centralized tender process at the provincial level, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by the statutory tender process, which may further increase pricing pressure. See "*– If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender process, we will lose market share and our revenue and profitability could be adversely affected.*" There is no guarantee that the new policies would not create any downward pressure on the prices of our existing and future products.

The prices of our products have been susceptible to pricing pressure coming from manufacturers of competing products. In addition, the lifting of price ceilings, which provided more incentives for manufacturers to develop innovative products, could also adversely affect the wholesale prices at which we can sell the relevant products to our distributors. Under the terms of our distributorship agreements, we and the relevant distributor may adjust the price of our products in the event of a price change as a result of regulatory or policy changes or bidding. Under such circumstances, we bear the upside potential as well as the downside risk from such price changes for products delivered prior to such price change but not yet sold to hospitals by the time of such price change.

In November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance published the Papers on Centralized Drug Procurement in "4+7" Cities (the "**Papers**"), which launched the national pilot scheme for tendering with minimum procurement quantities. The Papers listed 31 drugs for this pilot scheme together with an intended quantity commitment for each drug. The manufacturers and importers of the drugs are invited to bid to supply the drugs to public medical institutions in the "4+7" cities. The move is aimed at reducing drug prices and may potentially impact how generic drugs are priced and procured in China. On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (the "**Notice**") (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》). The Notice provides additional detailed measures in the implementation of the national pilot scheme for drugs centralized tendering with minimum procurement quantities in the 4+7 cities.

According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), which was promulgated and came into effect on September 25, 2019, together with the Documents on National Centralized Drug Procurement (GY-YD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) issued by the Joint Procurement Office on December 29, 2019, the model of centralized procurement with target quantity in the pilot program for conducting centralized procurement and use of drugs will be promoted nationwide and all manufacturers of drugs within the scope of centralized procurement marketed in China, with the approval of the medical products administration, may participate in the pilot scheme.

On July 29, 2020, the Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) to launch the third batch of the volume-based procurement, according to which, 56 drug varieties were included in the catalog of procurement. On January 15, 2021, the Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件(GY-YD2021-1)》) to launch the fourth batch of the volume-based procurement, according to which, 45 drug varieties were included in the catalog of procurement.

A drug being offered for tender must belong to one of the following categories:

- an originator drug or reference preparations used for consistency evaluation designated by the NMPA;
- a generic drug that has passed the consistency evaluation;
- a generic drug approved for registration according to the NMPA Notice No. 51(2016); or
- a drug included in the Catalogue of the Drugs Marketed in China.

The tenderer must also ensure that its annual production and sales capacity can satisfy the intended minimum quantity requirement.

Public hospitals must prioritize their drug purchasing from the successful bidder during the procurement cycle, calculated from the execution date of the successful bid result, until the quantity commitment has been satisfied. Once the quantity commitment is satisfied, the excess is still procured at the selected price until the expiration of the procurement cycle.

As of June 30, 2020, our products Oulanning, Xinwei and Punuoan had been selected for this national pilot scheme. There are uncertainties with respect to the impact of the implementation of this centralized procurement scheme on the sales of such products and their revenue. Furthermore, there are uncertainties with respect to future drug coverage of this national pilot scheme. As a result, there can be no assurance that we may have additional drugs added to this national pilot scheme in the future, which may result in increased pricing pressure on us.

In addition, drugs included in the national medical insurance negotiation list must undergo a pricing negotiation process with the PRC government, which may result in a reduction of the prices of our products.

If the retail prices of our products decline due to government pricing regulation, competition or other factors, there can be no assurance that we will be able to mitigate the adverse effects of such price reductions without incurring substantial expenses to improve our products, and our margins and profitability could be materially and adversely affected.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in China and worldwide has adversely affected, and may continue to adversely affect, our business, results of operations and financial condition.

We are vulnerable to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, and other catastrophes, which may materially and adversely affect our business. Since December 2019, a novel strain of coronavirus, or COVID-19, has become widespread in China and around the world. In March 2020, the World Health Organization declared the COVID-19 a pandemic, given its threat beyond a public health emergency of international concern that the organization had declared in January 2020. Since the beginning of 2020, China and many other countries have taken various restrictive measures to contain the virus' spread, such as quarantines, travel restrictions and home office policies.

Coupled with the outbreak of COVID-19 and the scheme for centralized tendering with minimum procurement quantities, our total revenue recorded a decrease in the first half of 2020, compared to the same period in the prior year. While the COVID-19 situation has gradually improved in China and our business has started to recover, the potential downturn brought by and the duration of the COVID-19 outbreak is difficult to assess or predict and the full impact of the virus on our operations will depend on many factors beyond our control. For example, there had been resurgences of the outbreak in certain cities in China, in response to which the local governments resumed various restrictive measures accordingly. Our business operations could be disrupted if any of our employees is suspected of contracting COVID-19, since our employees could be quarantined and/or our offices be shut down for disinfection. Our business operations may also be adversely affected if our suppliers, distributors or other business partners continue to be affected by COVID-19. The extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition remains uncertain, and we are closely monitoring its impact on us. Our business, results of operations, financial conditions and prospects could be materially adversely affected to the extent that COVID-19 harms the Chinese and global economy in general, and the trading price of our Shares may be adversely affected. To the extent the COVID-19 pandemic and the outbreak of other health epidemics adversely affect our business and financial results, they may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

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

The pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs, quality control, pricing of pharmaceutical products and environmental protection. Any violation of relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of our products, such as those relating to procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacies, government funding for private healthcare and medical services, and the inclusion of products in national or provincial medical insurance drug catalogues. In addition, the pharmaceutical manufacturing, pharmaceutical distribution, pharmaceutical retail, healthcare services and medical device industries in China are each subject to extensive and changing government regulations and supervision. Any unfavorable regulatory changes in these industries may increase our

compliance burden and materially and adversely affect our business, profitability and prospects. In addition, we cannot assure you that the PRC government will adopt policies supporting the pharmaceutical industry in China. For example, if we fail to complete the bioequivalence test study, we may fail to pass the clinical trial application and drug registration application, as a result of which, we cannot start production and sale of the relevant drugs. All of these may materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, in November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance launched a national pilot scheme for tendering with minimum procurement quantities. According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》) promulgated and came into effective in September 2019 and the Documents on National Centralized Drug Procurement (GY-YD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) issued by the Joint Procurement Office in December, 2019, the model of centralized procurement with target quantity in the pilot program for conducting centralized procurement and use of drugs will be promoted nationwide and all manufacturers of drugs within the scope of centralized procurement marketed in China, with the approval of the medical products administration, may participate in the pilot scheme. The implementation and development of this centralized drug procurement and use scheme may result in increased pricing pressure on us. See "– *The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease.*"

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

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

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new pharmaceutical products. We intend to continue investing in innovative drugs and to ensure in-house innovation by leveraging our strong R&D and drug discovery capabilities to support organic growth of our product portfolio. The development process of pharmaceutical products, in particular innovative drugs, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new pharmaceutical products. Our research and development expenses accounted for 9.3%, 11.4%, 12.9%, 12.1% and 12.0% of our revenue in 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020, respectively.

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

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

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

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

- third-party contractors used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the trial, which may require that we add new clinical trial sites or investigators;

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

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

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

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

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

- we may fail to manufacture and commercialize;

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

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

New pharmaceutical products must be approved by the NMPA before they can be marketed and sold in China. The NMPA requires successful completion of clinical trials and demonstration of manufacturing capabilities before granting approval, and it often takes several years before a medicine can be ultimately approved by the NMPA. In addition, the NMPA and other regulatory authorities may apply more stringent standards in reviewing the applications. For example, in 2015, the NMPA introduced certain new measures in connection with reviewing IND and NDA applications, which, among others, required that applicants conduct a self-review of clinical trial data to ensure safety and efficacy, accuracy of clinical trial data and consistency in quality with the originator drugs. Complying with existing or potential new standards may be time-consuming and expensive and could result in delays or preclude us from obtaining NMPA approval for our product candidates.

Even if we do obtain regulatory approvals, the process may take longer than expected, or such approvals may be subject to limitations on the indicated uses for which we may market the relevant product, therefore restricting its market size, which in turn could adversely affect our business, results of operations and growth prospects.

If we fail to achieve product development milestones, it could adversely affect our business prospects.

The successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including, product development risk, the availability of funds, competition, grants of relevant approvals and permits and regulation, which we will re-evaluate from time to time based on the regulation, government policies and the continued growth of the pharmaceutical market.

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

On December 21, 2017, the NMPA issued Opinions on Encouraging the Prioritized Evaluation and Approval for Drug Innovations (《關於鼓勵藥品創新實行優先審評審批的意見》), which were replaced by the Announcement on the Release of Three Documents including the Procedures for the Evaluation of Breakthrough Therapeutic Drugs (Trial) (《關於發佈<突破性治療藥物審評工作程序(試行)>等三個文件的公告》) issued by the NMPA on July 7, 2020, namely, Procedures for the Evaluation of Breakthrough Therapeutic Drugs (Trial) (《突破性治療藥物審評工作程序(試行)》), Procedures for the Evaluation and Approval of the Listing Application for Conditional Approval of Drugs (Trial) (《藥品附條件批准上市申請審評審批工作程序(試行)》) and Procedures for Prioritized Evaluation and Approval for Drug Marketing (Trial) (《藥品上市許可優先審評審批工作程序(試行)》). According to these documents, with respect to the innovative or improved drugs responding to clinical demand for prevention or treatment fatal diseases, if there are no effective prevention or treatment options, or if there is sufficient evidence showing that such innovative or improved drugs have significant clinical advantage over the existing treatments, relevant drug applicants may follow the procedures applicable to breakthrough therapeutic drugs during the process of Phase I and II clinical trials, and generally no later than the commencement of Phase III clinical trials. In addition, relevant drug applicants may follow the procedures of prioritized evaluation and approval when they apply for the marketing license of any drug with manifesting clinical value.

In order to accelerate the marketing of drugs that meet urgent clinical needs and that possess prominent clinical value in China, the CDE promulgated the Clinical Technical Guidelines for Conditional Marketing Approval of Drugs (Trial) (《藥品附條件批准上市技術指導原則(試行)》) on November 19, 2020 which became effective on the same day. Such guidelines apply to traditional Chinese medicine, chemical drugs and biological products that are not marketed for sales in China. According to such guidelines, during the period of drug clinical trials, applicant may apply for conditional marketing approval with respect to (i) drugs responding to clinical demand for treating fatal diseases that do not have effective treatment options, as well as drugs in urgent need for public health, of which the efficacy has been shown in clinical trials and the clinical value can be predicted; and (ii) vaccines that are in urgent need and address major public health emergencies or other vaccines that are identified by the NHC as being in urgent need, and whose benefits are assessed to have outweighed risks. The quality of clinical trial data used to support the conditional marketing approval of drugs shall comply with the requirements and standards of ICH and relevant domestic technical guidelines. After a drug is conditionally approved for marketing, such drug may be marketed for treatment, but the applicant authorized to market such drug shall complete the new or ongoing drug clinical trials within the prescribed time frame in accordance with the specific conditions attached to the drug registration certificate of such drug, and file a supplementary application with the CDE for the regular approval of the marketing of such drug. There can be no assurance that any of our drug candidates, will be eligible to file for special examination and approval or such application may lead to faster development or regulatory review or approval process. Moreover, even if any of our drug candidates are eligible to file for special examination and approval, such designation may not increase the likelihood that our drug candidates will receive regulatory approval and we cannot assure you that we will be able to maintain these designations, in which case our business and results of operations may be materially and adversely affected.

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

We operate in a highly competitive environment. Our products primarily compete on the basis of efficacy, price and general market acceptance. Our key competitors are large national and regional manufacturers of pharmaceutical products, including large state-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies.

Our competitors may be able to successfully develop or market effective substitutes for our products for a number of reasons, including:

- the patents for our current products, as well as a substantial portion of the product candidates we intend to develop, generally relate to the products' delivery systems, compositions, preparation methods or production processes, and do not cover the underlying active pharmaceutical ingredients. Therefore, our competitors may formulate substitute products utilizing the same active pharmaceutical ingredients;

- certain of our main products have been sold in the PRC market for more than 15 years, which makes these products susceptible to substitute products that are more effective clinically or cost-wise as a result of technological developments, changes in treatment protocols and other medical advances that have occurred subsequent to the initial development of our products;

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

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

Many of our products are first-to-market generic drugs based on originator drugs, and the protection or monitoring period, if any, for many of our products has lapsed, and they face strong competition from the originator drug and other generic products in the PRC market. Manufacturers of originator drugs may decide to lower their prices, which may put pricing pressure on the generic version of that drug. Some of these competing products have experienced rapid growth in recent years, particular in lower-tier markets. If we fail to protect our products from competition and remain competitive, our revenue and profitability may be materially and adversely affected.

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

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

If we are unable to conduct effective promotion or maintain a qualified sales force, the sales volume of our products and our business prospects could be adversely affected.

Successful sales and marketing are crucial for us to increase the market penetration of our existing products, expand our coverage of hospitals and other medical institutions and promote new products in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volumes and business prospects could be adversely affected.

In particular, our sales and marketing strategies consist of raising awareness and knowledge of our products and product candidates among medical professionals, hospitals and other medical institutions throughout China. Therefore, our sales and marketing force must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the relevant therapeutic areas and products, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales representatives and evaluate their academic marketing performances, our sales and marketing may be less successful than desired. For further information, please see "*Description of the Group – Sales, Marketing and Distribution.*"

Moreover, our ability to attract, motivate and retain a sufficient number of qualified sales professionals is especially important because we primarily rely on our in-house sales force to market and sell our products. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of marketing, promotion and sales professionals, sales volume of our products may be adversely affected and we may be unable to expand our hospital coverage or increase our market penetration as contemplated.

Failure to attain market acceptance for our products among the medical community in China, including existing or future products, would have an adverse impact on our operations, profitability and future prospects.

The commercial success of our products, including existing or future products, depends on the degree of market acceptance they achieve among the medical community, particularly medical professionals and hospitals. The acceptance of any of our products among the medical community will depend upon several factors, including but not limited to:

- the safety and efficacy of the product;
- the cost of the product;
- the effectiveness of our efforts to market the product to hospitals and medical professionals; and
- the perceived advantages and disadvantages of the product, including the prevalence and severity of side effects, relative to competing products or treatments.

In addition, market acceptance of a product is also affected by whether it is included in the national and provincial medical insurance drug catalogues. See "*– If our products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, our sales and profitability could be adversely affected.*"

If our products fail to achieve or maintain widespread market acceptance, or if new products introduced by our competitors are perceived more favorably by healthcare practitioners and patients, are more cost-effective or otherwise render our products obsolete, the demand for our products may decline and our business and profitability may be materially and adversely affected.

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

We rely on a network of distributors across China to distribute our pharmaceutical products in order to meet market demand and maintain our market share in the PRC. Our ability to maintain and expand our business and satisfy the demand for our drugs will depend on our ability to maintain, expand and optimize a distribution network that timely delivers our products throughout China where we generate market demand through our sales and marketing activity, or otherwise. However, our distributors are all third parties over whom we have limited control. Our distributors may not distribute our pharmaceutical products in the manner we contemplate, which may impair the effectiveness of our distribution network. Since our distributors do not sell our products on an exclusive basis, our products also compete with similar products from our competitors sold by our distributors.

Moreover, in line with industry practice, we typically enter into agreements with our distributors for a term of one year, which requires us to continually renew distribution agreements across our distribution network in order to maintain the relationship with our distributors. Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons, including in the event that PRC pricing regulations or other factors limit the margins our distributors can obtain through the resale of our pharmaceutical products to hospitals and other medical institutions. Our strategies contemplate expansion of our sales and distribution network by increasing our presence in county-level and community hospitals. We may not be able to establish relationships on commercially acceptable terms with new distributors to cover these areas. In the event that a significant number of our distributors terminate their relationships, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected. Additionally, in the event that a significant number of our distributors cease or reduce their purchases of our products or fail to meet the terms in our distribution agreements, our business, financial condition and results of operations may be materially and adversely affected. For further information, please see "*Description of the Group – Sales, Marketing and Distribution.*"

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

We are required to obtain, maintain and renew various permits, licenses and certificates in order to develop, produce, promote and sell our pharmaceutical products, and the third parties on whom we may rely to develop, produce, promote, sell and distribute our products may be subject to similar requirements. We and parties on whom we rely, such as distributors and suppliers may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certifications may change from time to time, and there can be no assurance we or the parties on whom we rely will be able to meet new criteria that may be imposed in order to obtain or renew the necessary permits, licenses and certifications. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certifications, it could materially impair our ability to conduct our business. While we have always been able to maintain and renew our material permits, licenses and certifications, there is no assurance that we will be able to continue doing so in the future.

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

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

As our revenue is, and we expect will continue to be, concentrated in a limited number of main products, and we may be particularly susceptible to factors adversely affecting the sales volume, pricing level or profitability of any of our main products. Factors that could adversely affect the sales volume, pricing level and profitability of our main products include the following: exclusion from, or reduced coverage under, the national, provincial or other government-sponsored medical insurance programs, the impact of government pricing regulations, competition and lack of success in the centralized tender process necessary for sales to PRC public hospitals and other medical institutions, sale of substitute products by competitors, interruptions in the supply of raw materials, increases in the cost of raw materials, issues with product quality or side effects, intellectual property infringements, adverse changes in sales and distribution network, and unfavorable policy, regulatory or enforcement changes. Many of these factors are outside of our control, and any factor adversely affecting the sales volumes and pricing levels of our main products may cause our revenues and profitability to decline.

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

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

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

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including but not limited to:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Company;
- stricter and more frequent regulatory inspections of our production facilities and products;
- removal of relevant products from any medical insurance catalogues or provincial lists of special medications related to the severe diseases insurance;
- inability to participate in the centralized tender process; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

As a result of these potential consequences, our revenue and profitability could be adversely affected.

If our products are not produced to the necessary quality standards, it could harm our business and reputation, and our revenues and profitability could be adversely affected.

Our products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. Please refer to "*Description of the Group – Production and Quality Control – Quality Management*" for further details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. We may fail to detect or cure quality defects as a result of a number of factors, many of which are outside our control, including but not limited to:

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

In addition, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between products manufactured in the existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if we acquire other pharmaceutical companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

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

We do not maintain any product liability insurance to cover damages that may arise from product liability claims. If we are subject to product liability claims, it could expose us to costs and liabilities and adversely affect our reputation, revenues and profitability.

We are exposed to product liability risks as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the PRC and other jurisdictions in which our pharmaceutical products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management, which might incur substantial costs and lead to diversion of resources. It may also result in damage to our reputation, product recalls and loss of our revenue and capability to commercialize our products. If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our pharmaceutical products are found to be defective. In addition, we may be required to recall the relevant pharmaceutical products, suspend sales or cease sales. Other jurisdictions in which our products are, or may in the future be, sold, in particular in more developed markets including the U.S., may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. We do not maintain any product liability insurance to cover damages that may arise from product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

PRC laws and regulations currently do not require us to, nor do we, maintain liability insurance to cover product liability claims. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we develop. See "– *Our insurance coverage is limited; if we experience uninsured losses it could adversely affect our financial condition and results of operations.*"

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

In 2017, 2018, 2019 and the six months ended June 30, 2020, we generated substantially all of our revenue from sales of products produced at our three production sites, all of which are located in Lianyungang, Jiangsu Province. The continued operation of our production sites and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or other natural disasters, as well as loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities or their vicinity and regulatory changes.

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

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

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

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

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

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

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

If we, our employees, distributors or suppliers engage, or are perceived to engage, in misconduct or breaches, including corrupt practices or leakage of confidential information, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities.

We are subject to risks in relation to actions taken by us, our employees, distributors or affiliates that constitute violations of PRC anti-corruption and other related laws. There have been several instances of corrupt practices in the pharmaceutical industry recently, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies hospitals and medical practitioners from manufacturers, distributors and retail pharmacies in connection with the prescription of pharmaceutical products. Any allegations of such behavior against us, our employees, distributors or affiliates or the pharmaceutical industry in general could generate negative publicity and materially and adversely affect our reputation and business prospects.

We do not and cannot fully control the conduct of our employees, distributors or suppliers. Our employees or distributors may, in their interactions with hospitals, medical institutions and medical professionals, attempt to increase the sales volume of our products through means that constitute violations of the PRC anti-corruption and other related laws. If our employees or distributors engage in corrupt or other improper conduct that result in violation of applicable anti-corruption laws in the PRC or other jurisdictions, our reputation could be harmed. While we have implemented specific measures against corruption and bribery, there can be no assurance that we were or are able to entirely prevent our employees or distributors from engaging in such activities in the past or in the future. We may be held liable for actions taken by our employees or distributors, which could expose us to regulatory investigations and penalties. Actions taken by PRC regulatory authorities or the courts that provide an interpretation of PRC laws and regulations that differs from our interpretation or that adopt additional anti-bribery, anti-corruption laws and regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we, our employees, distributors or suppliers fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, distributors or affiliates, which may in turn have a material adverse effect on our results of operations and prospects.

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Purchase and Sales of Medicines (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), which was promulgated by the NHFPC on December 25, 2013, and came into effect on March 1, 2014, if we are involved in criminal, investigational or administrative procedures for commercial bribery, we will be listed in the adverse records of commercial briberies by the relevant government authorities, as a result of which our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within a specific territorial scope for two years; and if we are listed in the adverse records of commercial briberies twice within five years, our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years.

In addition, our business may be materially and adversely affected if our employees breach the non-disclosure, non-compete and non-solicitation clauses in their employment agreements.

If we experience delays in collecting payment from distributors, it could adversely affect our operations and cash flow.

We sell our products to pharmaceutical product distributors, who are our customers. If our distributors' cash flow, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flow, and we could be required to terminate our relationships with distributors in a manner that impairs the effective distribution of our pharmaceutical products.

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

Our commercial success depends in part on our ability to protect our existing intellectual property and to obtain additional patents or other intellectual property, in particular to protect our products from direct substitute products. If we do not adequately protect our intellectual property, competitors may be able to imitate or copy our products, use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. Furthermore, the process of seeking patent protection in the PRC can be lengthy and expensive and there is no assurance that any of our pending patent applications will mature into issued patents, or that such patents, if issued, will provide us with adequate proprietary protection or competitive advantages. The scope of protection for issued patents may also vary across different jurisdictions. The PRC has adopted a first to file system for patent applications, meaning whoever files an application for the same invention first will be awarded the patent. As a result, a third party may be granted a patent relating to a technology we believe we invented.

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

In addition, the patents and patent applications for our current products, as well as a substantial portion of the product candidates we intend to develop, generally relate to the compositions including NMEs, delivery systems, preparation methods, production processes, or formulation of the relevant products and do not cover the active, underlying pharmaceutical ingredients. Therefore, such patents may be insufficient to protect us from the development of substitute products by competitors, who may be able to do so by designing around our products using the same active pharmaceutical ingredients. In addition, patents covering preparation methods and formulation may not create sufficient technical barriers to prevent other drug developers from developing substitute products.

Furthermore, the patents that we hold, including the patents for each of our key products, are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce direct substitute products to our key products which may be identical in formulation. In particular, one patent we hold with respect to Mailingda will expire in 2023. In the event that our competitors introduce direct substitutes for these products, it could have an adverse impact on the sales volumes and pricing levels for such products.

Moreover, intellectual property rights protection in China may not be as effective as in developed countries. Detecting and policing unauthorized use of proprietary technology are difficult and expensive. We may need to resort to litigation to enforce or defend patents issued to us or determine the enforceability, scope and validity of our proprietary rights or those of others. An adverse determination in any such litigation could materially impair our intellectual property rights. If our intellectual property rights are inadequate as a result of the narrow scope of the patents granted or third parties' infringement, or we otherwise fail to sufficiently protect our intellectual property, our business, financial condition and results of operations could be adversely affected.

We may be subject to intellectual property infringement claims, which could expose us to substantial liability, harm our reputation and limit our research and development or other business activities and/or our ability to commercialize our drug candidates.

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

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

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

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

- defend litigation or administrative proceedings;

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

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

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

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

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

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

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

- to gain access to, and for our products to be perceived favorably by, hospitals and medical professionals that drive and affect patient demand for pharmaceutical products in the PRC;

- to effectively work with the relevant authorities that regulate various aspects of our business;

- to gain the trust of patients and consumers of our products;

- to competitively position ourselves in the centralized tender process required for our pharmaceutical products to be sold to public hospitals and medical institutions in the PRC;

- to successfully attract employees, distributors, and other partners to work with us; and

- to increase market share of our products through brand recognition.

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

- adverse associations with our products, including with respect to their efficacy or side effects;

- the effects of counterfeit products purporting to be our products;

- lawsuits and regulatory investigations against us or otherwise relating to our products or industry;

- improper or illegal conduct by our employees, distributors and suppliers, whether or not authorized by us; and

- adverse publicity that is associated with us, our products or our industry, whether founded or unfounded.

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

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

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

Our pharmaceutical manufacturing process involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. We are subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our manufacturing processes, and may become subject to similar laws, rules and regulations in other jurisdictions in the future. In addition, we are required to obtain clearances and authorizations from relevant PRC government authorities for the treatment and disposal of such discharge. The cost of complying with current and future environmental laws, rules and regulations and the liabilities, which may potentially arise from the discharge of effluent water and solid waste, as well as the disposal of hazardous substances, may increase our costs and have an adverse effect on our profitability. There can be no assurance that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures, among other things, which in turn may materially and adversely affect our business, financial condition and results of operations. We may face civil liability for any alleged personal injury or property damage due to exposure to compounds or other hazardous substances at our production facilities or compounds which we otherwise produce or handle. Such claims can be substantial and could in the future materially and adversely affect our business and results of operation, if it is not adequately covered by insurance.

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

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

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

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

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

In order to manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. While we produced the majority of the active pharmaceutical ingredients used to produce our pharmaceutical products in-house in 2017, 2018, 2019 and the six months ended June 30, 2020, we also sourced active pharmaceutical ingredients and other raw materials used to produce our pharmaceutical products from independent third parties. We typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices. Should any of our suppliers fail to supply sufficient quantities of raw materials of an acceptable quality in the future, we may be unable to obtain substitute raw materials elsewhere in a timely manner, or at all. We may also be forced to obtain raw materials from different suppliers, who may require us to pay prices that are not commercially reasonable or may provide us with raw materials that are not of an acceptable quality. Although we have not experienced interruptions in our raw material supplies in the past, any potential interruption in our supply of raw materials could delay the production and delivery schedules of the relevant products, which may result in the loss of customers and revenue. In addition, the market prices of raw materials may be subject to significant fluctuations due to various factors. We cannot assure you that we would be able to pass on any increase in raw material costs to our customers, and any substantial fluctuation in market prices of raw materials may materially increase our costs and impact our profitability.

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

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

Since counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and are in some cases very similar in appearance to authentic pharmaceutical products, counterfeit products imitating our own pharmaceutical products can quickly erode our sales volume of the relevant product. Moreover, counterfeit products may or may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The appearance of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in the pharmaceutical market from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like us, particularly in overseas markets.

As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims. We have in the past become aware of some limited instances of counterfeit version of some of our products. Although these instances have not had a material adverse effect on our business and operations, there can be no assurances that instances of counterfeit version of our products in the future will not have a material adverse effect on us or we will be able to prevent future occurrences in the PRC.

In addition, any negative publicity relating to counterfeit products concerning us, any other company in the pharmaceutical industry in China or in general, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

We plan to expand our international business. If we are unsuccessful in our plans, it could have an adverse effect on our business prospects.

We sell pharmaceutical products and active pharmaceutical ingredients to certain overseas markets including the U.S., Japan and the European Union through our international business department and plan to further expand our international business. However, our limited experience in overseas markets may expose us to risks and uncertainties, including but not limited to:

- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, which may differ materially from those in the PRC, in order to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;

- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products; and

- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sale of pharmaceutical products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities.

Our plans may require significant investment but may fail to generate the level of returns we expected. If we are unable to expand our international business effectively or at all, our business prospects may be adversely affected.

We may grow our business through acquisitions in the future. If we fail to identify suitable targets and complete planned acquisitions, our business prospects may be adversely affected.

We intend to accelerate our business growth by taking advantage of consolidation opportunities in the fragmented PRC pharmaceutical industry through selective acquisitions of suitable pharmaceutical companies. However, our ability to successfully complete and realize the intended benefits of any acquisition is subject to a number of risks and uncertainties, including but not limited to:

- we may not be able to identify suitable acquisition targets or have to engage in intense competition for attractive acquisition targets, which may make it difficult to consummate acquisitions on commercially acceptable terms or at all;

- we may not have access to financing for acquisitions on acceptable terms or at all;

- we may fail to obtain or secure governmental approvals and third party consents necessary to consummate any proposed acquisition which may result in liabilities, fines or penalties arising directly from such inability;

- we may have to manage a larger, growing business, operating in new geographical regions and optimizing the allocation of resources and operational efficiency;

- we may fail to effectively integrate research and development functions; and

- we may fail to retain the management team or research and development professionals of the acquired businesses.

Moreover, the process of seeking and consummating acquisitions, whether or not they are successful, may divert our resources and management attention from our existing businesses and impair our ability to successfully manage and grow our business organically.

If our preferential tax treatments, tax concessions and tax allowances are not received, become unavailable or otherwise change or terminate, it could adversely affect our profitability.

Historically, we have benefited from a number of preferential tax treatments, as well as tax concessions and tax allowances. In particular, Jiangsu Hansoh is qualified as a High and New Technology Enterprises and is eligible for a preferential income tax rate of 15%, compared to the 25% income tax rate generally applicable to PRC resident enterprises under the EIT law.

The eligibility of Jiangsu Hansoh for the preferential income tax rate as a High and New Technology Enterprise expires in 2022. Unless it is eligible for other preferential tax treatments, Jiangsu Hansoh will only continue to receive preferential tax treatment if the relevant authorities determine that it continues to qualify, which depends on a number of factors, including, but not limited to, whether its products fall within the scope of supported high and new technology, whether its research and development expenses as a percentage of revenue reaches certain threshold percentages and whether its research and development staff as a percentage of total number of staff reaches certain threshold percentages. If the qualifications are not renewed due to one or more of these or other factors, it will no longer enjoy the 15% preferential income tax rate currently applicable to them and will be subject to the 25% income tax rate. As a result, our post-tax profitability may be adversely affected.

We record additional deductible allowance for qualified research and development costs. The current or future preferential tax treatments, tax concessions and tax allowances applicable to our Company and our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. Our post-tax profitability may be adversely affected as a result of one or more of these or other factors.

Our business depends on our key senior management members, key research and development personnel and key marketing and sales personnel; if we lose and are unable to replace their services, our business prospects could be adversely affected.

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

key personnel, we may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. Furthermore, as we expect to continue expanding our operations and product portfolio, we will need to continue attracting and retaining experienced management personnel with extensive managerial, technical, research and development or sales and marketing experience. Competition for these individuals in the pharmaceutical industry is intense, and the availability of suitable and qualified candidates in China is limited. Competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, and consequently increase our operating costs and in turn, materially and adversely affect our financial condition and results of operations. We may be unable to retain these key personnel required to achieve our business objectives, and failure to do so could adversely affect our business prospects.

The implementation of our strategies and other aspects of our business will require significant funding; if we do not have access to sufficient funding, it could adversely affect our business prospects.

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

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion of our portfolio in our key therapeutic areas, namely CNS diseases, oncology, anti-infectives, diabetes, gastrointestinal and cardiovascular;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow our business internationally through drug development programs for overseas markets; and
- the capital expenditure required to increase our production capacity and to make upgrades and enhancements.

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

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

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

We may from time to time become party to litigation, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. Involvement in litigation, legal disputes, claims or administrative proceedings may distract our management's attention and consume our time and other resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to the various factors involved, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to us.

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

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we had certain financial assets at fair value through profit or loss for cash management purposes, which mainly included investments in financial products issued by banks, which can be redeemed at any time with principal protected but returns not guaranteed, and investments in listed ordinary shares. As of December 31, 2017, 2018, 2019 and June 30, 2020, our financial assets at fair value through profit or loss amounted to RMB607.7 million, RMB2,016.4 million, RMB2,772.0 million and RMB1,585.0 million, respectively. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains or losses, and therefore directly affect our results of operations. In 2017, 2018, 2019 and the six months ended June 30, 2020, we realized net fair value gains on financial assets at fair value through profit or loss of RMB8.3 million, RMB31.8 million, RMB23.1 million and RMB51.2 million, respectively. However, we cannot assure you that market conditions and regulatory environment will continue to create such fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Our results of operations, financial conditions and prospects may be adversely affected if our other financial assets are impaired.

In 2017, 2018, 2019 and the six months ended June 30, 2020, we had other financial assets comprising financial products issued by banks that are principal protected and have guaranteed returns. These other financial assets are measured at amortized cost. As of December 31, 2017, 2018, 2019 and June 30, 2020, these other financial assets amounted to RMB849.4 million, RMB511.8 million, RMB3,583.5 million and RMB9,805.2 million, respectively. A gain or loss on these financial assets measured at amortized cost is recognized in our consolidated statement of profit or loss, and therefore directly affects our results of operations. We assess on a forward-looking basis the expected credit losses associated with our financial assets carried at amortized cost. In 2017, 2018, 2019 and the six months ended June 30, 2020, we did not incur any impairment charges on other financial assets. However, we cannot assure you that we will not incur any such impairment charges in the future as a result of changes in market conditions, regulatory environment and other factors. If we incur such losses, our results of operations, financial condition and prospects may be adversely affected.

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

Our insurance coverage is limited, and we do not maintain product liability insurance or business interruption insurance. Please refer to "*Description of the Group – Insurance*" for further details of our insurance coverage. If we experience product liability claims or disruptions to our business, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, health or public security hazards, earthquakes, typhoons, flooding and other natural disasters, as for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

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

As of the date of this Offering Circular, we have an internal control system in place to monitor and control potential risk areas relevant to our business operations. However, due to the inherent limitations in the design and implementation of our internal control system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

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

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

We may be subject to penalties and other liabilities under relevant PRC laws and regulations due to failure to make full social security and housing fund contributions for some of our employees.

In the past, contributions by our PRC subsidiaries for some of their employees to the social security and housing funds may not have been in compliance with relevant PRC regulations. Pursuant to the Regulation on the Administration of Housing Accumulation Funds, as amended in 2002 and 2019, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. Pursuant to the PRC Social Insurance Law promulgated in 2010, the social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit and penalty interest, and may impose penalties if there is a failure to do so. Although we have made what we believe to be sufficient accruals to address these risks, some of our PRC subsidiaries may be required to pay outstanding contributions and penalties to the extent they did not make full contributions to the social security and housing funds.

If we suffer failures in our information and data management systems, it could adversely affect our ability to effectively manage our business operations.

We make use of information and data management systems to obtain, process, analyze and manage data. We use these systems to, among other things, monitor the daily operations of our business, maintain operating and financial data, manage our distribution network as well as manage our production operations and quality control systems. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt our normal operations. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to restore our operational capacity in a timely manner to avoid disrupting our business. The occurrence of any of these events could adversely affect our ability to effectively manage our business operations. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

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

Substantially all of our operations are located in China, and substantially all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in China.

The Chinese economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- the allocation of resources;
- an evolving regulatory system; and
- the level of transparency in the regulatory process.

Although China has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008 and its annual GDP growth rate has declined from 6.95% in 2017 to 6.75% in 2018 and further to 6.11% in 2019. The Chinese economy encountered enormous challenges during the first half of 2020 in the face of the eruption of the novel coronavirus (COVID-19) pandemic, with its gross domestic product declining at a rate of 1.6% year-on-year. There is no assurance that future growth will be sustained at similar rates or at all.

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

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

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

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

We conduct our business through our operating subsidiaries in China, which are governed by PRC law. China is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, prior court decisions may be cited as persuasive authority but do not have legally binding force. The PRC government has promulgated laws and regulations in relation to economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to establishing a comprehensive legal system conducive to investment activities. However, the implementation, interpretation and enforcement of these laws and regulations may cause greater uncertainty compared to those in common law jurisdictions due to a relatively short legislative history, limited volume of court cases and their non-binding nature. For example, the Notice of the National Development and Reform Commission on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)》) (the "**NDRC Notice**") does not explicitly require an overseas parent company like us to register the issuance of the offshore bonds. However, in practice, we are required to register the issuance of the Bonds with the NDRC and file a post-issuance report with the NDRC within 10 working days after the issuance. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes.

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

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

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

For example, on November 11, 2015, the NMPA issued Certain Policies in relation to the Review and Approval of Drug Applications (《關於藥品註冊審評審批若干政策的公告》) (the "**NMPA Notice No. 230 (2015)**"), which set out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trials data, effectiveness of the drug and consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. Our future drug applications are now subject to more strict approving standard.

Since late 2015, the PRC regulatory authority has promulgated a series of regulations setting forth the requirements of consistency evaluation for generic drugs, including the Opinion of the General Office of the State Council on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》), the Announcement on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs (《國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告》) and the Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》), which set forth timelines for completion of consistency evaluation and consequences for failure to timely complete the evaluation.

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

There are significant uncertainties under the EIT Law, which came into effect on January 1, 2008, and amended as of February 24, 2017 and December 29, 2018, and its implementation rules.

Under the EIT Law and its implementation rules, enterprises organized under the laws of jurisdictions outside the PRC with their "*de facto* management bodies" located within the PRC may be considered "PRC resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "*de facto* management body" as "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, properties and other assets of an enterprise." The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), which was promulgated on April 22, 2009 and was amended on January 29, 2014 by The Determination of Resident Enterprises Based on the Standards of Actual Management Institutions (《國家税務總局關於依據實際管理機構標準實施居民企業認定有關問題的公告》), and has been partially abolished on December 29, 2017, by the SAT pursuant to Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated (《國家税務總局關於公佈失效廢止的税務部門規章和税收規範性文件目錄的決定》) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得税管理辦法(試行)》) issued on July 27, 2011, and amended on April 17, 2015, June 15, 2018, and partially abolished on June 28, 2016, respectively, set out certain criteria for what constitutes a "*de facto* management body" in respect of enterprises that are established offshore by PRC enterprises, which could be applied in determining the tax resident status of non-PRC enterprises.

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

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

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

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

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

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

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

On October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》), or SAT Circular 37, which became effective on December 1, 2017 and amended on June 15, 2018 and abolished Circular 698 as well as certain provisions in Circular 7. In accordance with SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority.

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

SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**"), issued and effective on July 4, 2014, the Circular on Promulgation of Administrative Measures on Foreign Exchange of Direct Investment by Foreign Investors and Ancillary Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) issued on May 11, 2013, effective on May 13, 2013, and last partially abolished on December 30, 2019, Notice on Further Improving and Adjusting Foreign Administration Policies for Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), issued on November 19, 2012, effective on December 17, 2012, and last partially abolished on December 30, 2019, and Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**"), issued on February 13, 2015, effective on June 1, 2015, and partially abolished on December 30, 2019. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in Circular 37 as a "special purpose vehicle". Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. Circular 13 cancels two administrative approval items, i.e., confirmation of foreign exchange registration under domestic direct investment, and confirmation of foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

Subsequent regulations further clarified that PRC subsidiaries of a special purpose vehicle are required to urge its PRC resident shareholders and beneficial owners to update their registrations with local branches of SAFE. If our Shareholders or beneficial owners who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liabilities for our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by SAFE to return the foreign exchange remitted overseas within a period specified by SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at our PRC subsidiaries who are held directly liable for the violations may be subject to criminal sanctions.

We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. However, we may not always be able to compel them to comply with Circular 37 or other related regulations. As a result, there can be no assurance that all of our current or future Shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. Failure by any such Shareholders or beneficial owners to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly the U.S. dollar, may have a material adverse effect on us and on your investment.

Substantially all our revenue and expenses are denominated in Renminbi, a currency not freely convertible into other currencies. The value of the Renminbi against other foreign currencies is subject to changes in the PRC's foreign exchange policies and international economic and political developments. On July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. The Renminbi has appreciated significantly since then. The People's Bank of China (the "**PBOC**") authorised the China Foreign Exchange Trading Centre to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each Business Day from January 2006. In May 2007, the PBOC announced that the floating band for trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5%. This trading band was widened again to 1% in April 2012, and further to 2% in March 2014. On 11 August 2015, the PBOC decided to improve the quotation of the central parity exchange rate of RMB against the U.S. dollar, and the market makers shall deliver quotes of the central parity exchange rate to the China Foreign Exchange Trade System by referring to the closing rates in the interbank foreign exchange market on the previous day and fully considering the supply and demand of foreign exchange as well as the exchange rate changes of the world's major currencies. There can be no assurance that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition (including our ability to pay dividends). The PRC government may from time to time make further adjustments to the exchange rate system in the future.

In addition, the proceeds from the issue and offering of the Bonds will be received in U.S. dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, may result in the decrease in the value of and our proceeds from the Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of our businesses.

Furthermore, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost. We are required to comply with the Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Administrative Provisions on Capital Account Foreign Exchange Settlement (《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》), or Circular 16, when converting foreign currencies into Renminbi. According to Circular 16, the foreign currency income of a PRC enterprise and such income settled in Renminbi under the capital account cannot be used directly and indirectly for any purposes out of the PRC enterprise's business scope or in areas prohibited by laws and regulations. Pursuant to the Circular of the Notice of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or "**Circular 28**", promulgated on 23 October 2019, non-investment foreign invested enterprises are allowed to invest their capital in domestic equity in accordance with laws and regulations on condition that such investment is not in violation of the Special Administrative Measures (Negative List) for Admission of Foreign Investment in force and the domestic projects to be invested shall be authentic and legal. However, as Circular 28 is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects.

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

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

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

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

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

The Terms and Conditions and the transaction documents will be governed by English law and the Issuer will submit to the exclusive jurisdiction of the Hong Kong courts. Substantially all of our assets are located in the PRC, and most of our senior management members and directors reside in the PRC. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we are subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon us or our management in the PRC.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing

entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and the Department of Justice under the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

RISKS RELATING TO THE BONDS AND THE SHARES

The Bonds will be unsecured obligations.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer ranking pari passu and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds, save for such exceptions as may be provided by mandatory provisions of applicable law and, subject to Condition 4(A) (*Negative Pledge*) of the Terms and Conditions, rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The repayment of the Bonds may be compromised if:

- the Group enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under the Group's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Group's indebtedness.

If any of the above events occurs, the Group's assets may not be sufficient to pay amounts due on the Bonds.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before taking action on behalf of Bondholders.

In certain circumstances (including, without limitation, being requested or directed by the Bondholders pursuant to Conditions 10 (*Events of Default*) and 15 (*Enforcement*) of the Terms and Conditions), the Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if it is not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding could be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable law or regulations, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such actions directly.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, Bondholders have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders would be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States.

The Bonds and the Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S. Hence, future resales of the Bonds and the Shares into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

The Bondholders may be subject to tax on their income or gain from the Bonds.

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Shares. Please refer to "*Taxation*" for a discussion of tax consequences in certain jurisdictions.

The market value of the Bonds may fluctuate.

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganisations, takeovers or share buybacks) of the Group and/or the subsidiaries and/or associated companies of the Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, the Group and/or the subsidiaries and/or associated companies of the Group generally. Adverse economic developments in the PRC could have a material and adverse effect on the results of operations and/or the financial condition of the Group and/or the subsidiaries and/or associated companies of the Group.

In addition, the market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of Shares by shareholders or a perception in the market that such disposals could occur, may adversely affect the prevailing market price of the Shares and the Bonds.

The return on the Bonds may decrease due to inflation.

Bondholders may suffer erosion on the return of their investments due to inflation. Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

An active trading market for the Bonds may not develop and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Application will be made to the Hong Kong Stock Exchange for the listing, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given that an active trading market for the Bonds would develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial issue price. Whether or not the Bonds would trade at lower prices depends on many factors, including, but not limited to:

- prevailing interest rates and the markets for similar securities;
- the price of the Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition as well as general market and economic conditions; or
- the Group's financial condition, historical financial performance and future prospects.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of an investment in the Bonds in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal payments or default interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless he/she has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders.

The Terms and Conditions will contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interest of individual holders of the Bonds.

The Terms and Conditions will also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, agree to any modification (other than in respect of certain reserved matters) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement and/or the Trust Deed which is, in the opinion of the Trustee, not materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Agency Agreement or the Trust Deed which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, determine any Event of Default (as defined in the Terms and Conditions) or Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

If the Company or any of its subsidiaries is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.

If the Company or any of its subsidiaries is unable to comply with the restrictions and covenants or its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in

a default under the Company's or such subsidiary's other debt agreements. If any of these events occur, there is no assurance that the Company would have sufficient assets and cash flow to repay in full all of its indebtedness, or that the Company would be able to find alternative financing. Even if the Company could obtain alternative financing, it could not guarantee such financing will be on terms that are favorable or acceptable to the Company.

The Company may be unable to obtain and remit foreign currencies out of China.

The Company's ability to satisfy its obligations under the Bonds will be affected by its ability to obtain and remit sufficient foreign currency. The Company must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for registration before it can obtain and remit foreign currencies out of China, including, in the case of dividends, the resolution of the board of directors and evidence that the relevant PRC taxes have been paid. If the Company for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, it may affect the Company's ability to satisfy its obligations under the Bonds in a timely manner.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Company and/or the investors in the Bonds.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and file the particulars of the relevant issue within 10 PRC Business Days (as defined in the Terms and Conditions) after the completion of the issue of the securities. The Company has obtained the NDRC Pre-Issuance Registration Certificate with respect to the Bonds on 19 November 2020 and has undertaken to file with the NDRC the requisite information and documents within the prescribed time period after the Issue Date. However, there is no clarity on the actual legal consequences of non-compliance with the post-issue filing requirement under the NDRC Circular. Failure to comply with the post-issuance filing requirement may result in the relevant entities being put on the credit blacklist in the PRC and subject them to credit-related sanctions. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

Exchange rate risks and exchange controls may affect an investor's returns on the Bonds.

The Issuer will pay principal on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;

- the Bonds can be used as collateral for various types of borrowing; and

- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of other jurisdictions with which the holders of the Bonds are familiar.

Because the Company is incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Company may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Company conducts substantially all of its business operations through PRC-incorporated subsidiaries in the PRC. The Company's PRC subsidiaries are subject to the bankruptcy and insolvency laws of the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyse the risks and uncertainties carefully before investing in the Bonds.

Bondholders have limited anti-dilution protection.

The conversion price of the Bonds will be adjusted only in the situations and only to the extent provided in "*Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. In particular, unless provided for in the Terms and Conditions, there is no conversion price adjustment when Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Issuer or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee share incentive scheme or plan (and which such scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange (as defined in the Terms and Conditions)). Events in respect of which no adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders. Any sales in the public market of the Shares issuable upon such conversion could affect prevailing market prices for the Shares.

The Company may not have the ability to redeem the Bonds.

Bondholders may require the Company, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon the occurrence of a Relevant Event as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Delisting or Change of Control*" or on the Optional Put Date as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the option of the Bondholders*". The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Company's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by the Company.

Risks attached to the exercise of Conversion Rights.

At any point when the Bonds are outstanding, depending on the performance of the Shares, the value of the Shares may be substantially lower than when the Bonds were initially purchased. In addition, because there will be a delay between when Conversion Rights are exercised and when Shares are delivered, the value of the Shares to be delivered may vary substantially between the date on which Conversion Rights are exercised and the date on which such Shares are delivered.

There is a limited period during which the Bondholders may convert their Bonds.

Subject as provided in the Terms and Conditions, the Conversion Right in respect of a Bond may only be exercised in certain limited circumstances (subject to any applicable fiscal or other laws or regulations and as further provided in the Terms and Conditions) at any time on or after 4 March 2021 (a) up to the close of business on the date falling ten days prior to the Maturity Date (both days inclusive) (but, except as provided in the Condition 6(A)(iii) *(Revival and/or survival after default)* of the Terms and Conditions, in no event thereafter); or (b) if such Bond shall have been called for redemption by the Issuer before the Maturity Date, up to the close of business on a date no later than ten days (both days inclusive) prior to the date fixed for redemption thereof; or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) *(Redemption for Delisting or Change of Control)* or Condition 8(E) *(Redemption at the option of the Bondholders)* of the Terms and Conditions then up to the close of business on the day prior to the giving of such notice.

If the Conversion Rights are not exercised by Bondholders during the Conversion Period, the Bonds will be redeemed at their principal amount on the Maturity Date unless the Bonds are previously purchased and cancelled or redeemed in accordance with the Terms and Conditions.

The Bonds may be early redeemed at the Company's option, which may adversely affect the trading price and liquidity of the Bonds.

The Company may, on giving not less than 30 days' nor more than 60 days' notice, redeem the Bonds in whole, but not in part, on the date specified in the Optional Redemption Notice at their principal amount: (i) at any time after January 22, 2024, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate), for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 5 Trading Days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)) then in effect for each of such 20 Trading Days; or (ii), at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in aggregate principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued pursuant to Condition 17 *(Further Issues)* of the Terms and Conditions). In addition, the Bonds may be redeemed at the option of the Company in whole and not some only, on giving not less than 30 days' nor more than 60 days' notice, at its principal amount if the Company becomes obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of certain events set out in the Terms and Conditions and such obligation cannot be avoided by the Company taking reasonable measures available to it. As a result, the trading price of the Bonds may be affected when the redemption options of the Company becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

Bondholders will bear the risk of fluctuations in the price of Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently primary listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. The market price of the Shares will also be influenced by the Group's operational results (which in turn are subject to the various risks to which the Group's businesses and operations are subject) and by other factors

such as changes in the regulatory environment that may affect the markets in which the Group operates and the capital markets in general. Corporate events such as reorganisations, takeovers or share buy-backs may also adversely affect the market price of the Shares. Any decline in the market price of the Shares could adversely affect the market price of the Bonds.

Short selling of the Shares by Bondholders could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of the Company's equity securities after this offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt-to-equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

Bondholders may only be entitled to the Cash Settlement Amount.

During the relevant Conversion Period (as defined in the Terms and Conditions and described in the section headed "*The Offering*"), the Issuer has the option to satisfy the Conversion Right (as defined in the Terms and Conditions and described in the section headed "*The Offering*") in respect of a relevant Conversion Notice by electing to pay to the Bondholder an amount of cash in U.S. dollars equivalent to the relevant Cash Settlement Amount (as defined in the Terms and Conditions) in order to satisfy such Conversion Right in whole or in part in lieu of delivery of Shares. In such event, a Bondholder will receive fewer or no Shares (as applicable) on conversion of its Bonds.

The Cash Settlement Amount payable to Bondholders will be subject to market price volatility during the 20 consecutive Stock Exchange Business Days calculation period.

Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in U.S. dollars equal to the Cash Settlement Amount (as defined in the Terms and Conditions). The Cash Settlement Amount will be calculated using the average of the volume weighted average price of the Shares for each day during the 20 consecutive days on which the Stock Exchange is open for business of dealing in securities ("**20 Stock Exchange Business Days**"). During the initial Conversion Period, the Cash Settlement Amount will be calculated after the date of the relevant Cash Settlement Notice. As such, a Bondholder will need to wait for the calculation period to be completed before receiving any payment of the Cash Settlement Amount. The calculation of the Cash Settlement Amount will be affected by share price movements and volatility during this 20 Stock Exchange Business Days period, which can be affected by a wide array of factors including, without limitation, trade tensions between the U.S. and the PRC, general market conditions of the securities markets in Hong Kong, the PRC, the U.S. and elsewhere in the world or economic downturn locally or globally. See "*– Bondholders may only be entitled to the Cash Settlement Amount"* and *"– The market value of the Bonds may fluctuate*".

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**" and together the "**Clearing Systems**"). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates in respect of their Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for the Clearing Systems, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The risks described above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

The investment referred to in this Offering Circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser before making a decision to subscribe for the Bonds.

USE OF PROCEEDS

The net proceeds from the Bonds (after deduction of commissions and other related expenses) are estimated to be approximately U.S.$595,650,000. The Group intend to apply the net proceeds from the issue of the Bonds for R&D expenditure, construction of manufacturing facilities and general corporate purposes.

EXCHANGE RATE INFORMATION

The People's Bank of China (the "**PBOC**") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies had been based on rates set by the PBOC, which were set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

The following table sets forth the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the indicated periods through January 8, 2021:

	Exchange Rate			
Period	**End**	**Average[(1)]**	**High**	**Low**
		(RMB per U.S.$1.00)		
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7360	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021				
January (through January 8, 2021)	6.4750	6.4656	6.4760	6.4550

Note:

(1) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

MARKET PRICE INFORMATION

The Shares have been listed on the main board of the Hong Kong Stock Exchange (Stock Code: 3692) since 14 June 2019.

The table below sets forth, for the periods indicated, the low and high closing prices per Share and the quarterly trading volume of the Shares, as reported on the Hong Kong Stock Exchange:

Period	Closing Share Price		Daily Average Trading Volume
	Low	High	
	(HK$)		(number of Shares in millions)
2019			
First quarter ended March 31, 2019	NA	NA	NA
Second quarter ended June 30, 2019	17.02	21.50	20.60
Third quarter ended September 30, 2019	20.50	28.95	4.57
Fourth quarter ended December 31, 2019	22.70	26.60	4.47
2020			
First quarter ended March 31, 2020	25.15	31.20	5.53
Second quarter ended June 30, 2020	25.50	39.40	4.33
Third quarter ended September 30, 2020	31.60	39.50	6.61
Fourth quarter ended December 31, 2020	33.25	39.15	4.25

CAPITALISATION AND INDEBTEDNESS

As at the date of this Offering Circular, the authorized share capital of the Company is HK$200,000 divided into 20,000,000,000 shares of HK$0.00001 each. As at December 31, 2020, the total number of Shares issued by the Company was 5,918,991,200 shares.

The following table sets forth the Company's unaudited consolidated capitalization and indebtedness as at June 30, 2020 and as adjusted to give effect to the issue of the Bonds before deduction of any fees, commissions and expenses. The table should be read in conjunction with the financial statements and the accompanying notes incorporated by reference in this Offering Circular.

	As at June 30, 2020			
	Actual (unaudited)	Actual (unaudited)	Adjusted (unaudited)	Adjusted (unaudited)
	RMB	U.S.$	RMB	U.S.$
	(in thousands)			
Total borrowings				
Bonds to be issued[(1)]	–	–	4,239,060	600,000
Total shareholders' equity	17,599,365	2,491,028	17,599,365	2,491,028
Total capitalization	17,599,365	2,491,028	21,838,425	3,091,028

Notes:

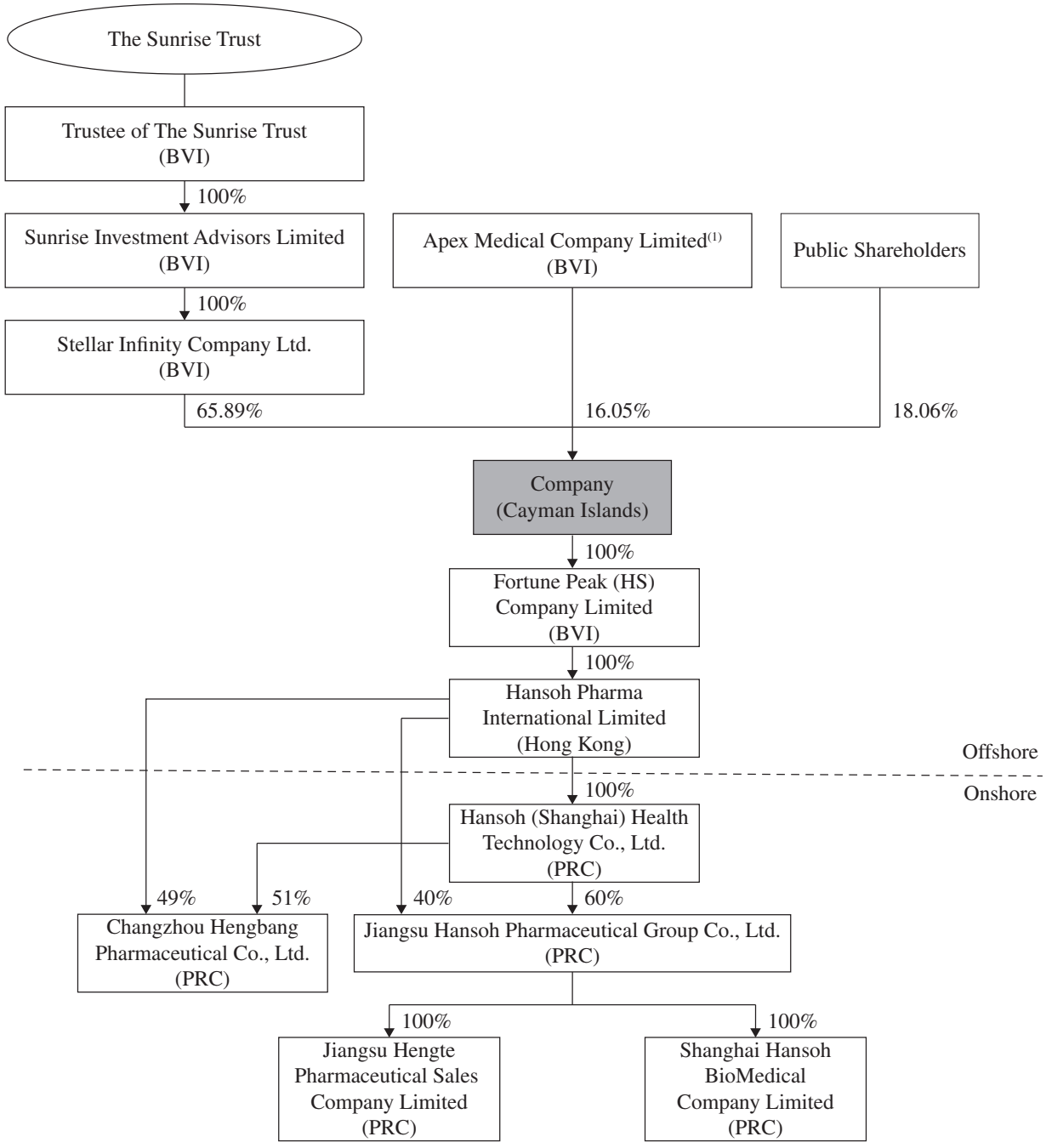
(1) In accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Disclosure and Presentation", a convertible bond should be separated into an equity and a liability component. For illustrative purposes only, the aggregate principal amount of the Bonds to be issued has been presented as a liability in the above table.

(2) Translation of currency amounts between Renminbi and U.S.$ have been made at the rate of RMB7.0651 to U.S.$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System on June 30, 2020, except for issued capital where historical exchange rates were used pursuant to the relevant accounting policies.

Except as disclosed in this Offering Circular, there has been no material change in the total capitalization of the Company since June 30, 2020.

CORPORATE STRUCTURE

The following chart depicts the shareholding structure of the Company and its principal subsidiaries as of the date of this Offering Circular:



Note:

(1) Apex Medical is wholly-owned by Mr. Cen Junda.

DESCRIPTION OF THE GROUP

OVERVIEW

We are one of the leading research and development-driven pharmaceutical companies in China, devoting ourselves to meeting the unmet clinical needs of patients and improving the health and well-being of human beings through continuing innovation. We have established a leading position in some of China's largest and fastest-growing therapeutic areas with significant unmet clinical needs, including central nervous system ("**CNS**") diseases, oncology, anti-infectives and diabetes. We also focus on the gastrointestinal and cardiovascular therapeutic areas.

Our diversified product portfolio includes 20 main products. Most of these products are in the CNS disease, oncology, anti-infective and the other main therapeutic areas that we strategically target. Among our main products, Mailingda, Fulaimei, Hansoh Xinfu and Ameile are Category 1.1 innovative drugs, Oulanning, Ameining, Pulaile, Zefei, Xinwei, Xintai, Tanneng, Zetan, Hengjie, Hengsen, Fulaidi, Fulairui, Ruibote, Zexin are first-to-market generic drugs, and Xinmei is a generic drug. We also have a robust pipeline of candidate products in different stages of development. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

We have a proven track record of over 20 years of R&D experience, as evidenced by our leading position in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. We began development of Category 1.1 innovative drugs in 2002. As of June 30, 2020, we had successfully developed and marketed four Category 1.1 innovative drugs with new molecular entities. Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, chemistry & manufacturing controls as well as clinical development, which enable our high efficiency in developing new drugs. We have developed various proprietary technologies, including a proprietary PEGylation technology, which we used to successfully develop and launch Fulaimai, a Category 1.1 innovative drug. We have successfully launched and developed a series of innovative drugs and first-to-market generic drugs. Our track record of successful commercialization has enabled us to continue to make significant investments into our R&D pipeline. Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments, including the consistency evaluation requirement imposed by the NMPA since 2016.

We market and sell our products through an effective in-house team of sales professionals. Our patient-centric and clinical-data-driven academic promotion activities increase the knowledge and awareness of the clinical benefits of our products and enhance our brand-awareness among doctors and other medical professionals. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas.

We have established world-class facilities and a manufacturing quality management system that comply with the cGMP requirements in China, the United States and Japan. Our advanced manufacturing quality management system is also critical for pursuing consistency evaluation approvals for our generic drugs.

Our large portfolio of marketed drugs has enabled us to achieve strong financial results. Our revenue was RMB6,185.5 million, RMB7,722.3 million, RMB8,682.7 million in 2017, 2018 and 2019, respectively, representing a year-on-year growth of 24.8% and 12.4%, respectively, from 2017 to 2019. Our revenue was RMB4,599.4 million and RMB3,979.5 million in the six months ended June 30, 2019 and 2020, respectively. Our net profit was RMB1,595.5 million, RMB1,903.0 million and RMB2,556.7 million in 2017, 2018 and 2019, respectively, representing year-on-year growth of 19.3% and 34.4%, respectively, from 2017 to 2019. Our net profit was RMB1,296.0 million and RMB1,221.8 million in the six months ended June 30, 2019 and 2020, respectively. For 2017, 2018 and 2019, our gross profit margin was 92.6%, 92.2% and 91.6%, respectively, and our net profit margin was 25.8%, 24.6% and 29.4%, respectively. For the six months ended June 30, 2019 and 2020, our gross profit margin was 91.7% and 91.0%, respectively, and our net profit margin was 28.2% and 30.7%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the foundation of our historical success, and we expect that they will enable us to enhance our leadership position in the rapidly-growing pharmaceutical industry in China.

One of the few R&D-driven Chinese pharmaceutical companies with a broad, diversified and leading drug portfolio in multiple large and fast-growing therapeutic areas

We are one of the leading research and development-driven pharmaceutical companies in China, devoting ourselves to meeting the unmet clinical needs of patients and improving the health and well-being of human beings through continuing innovation. We have established a leading position in some of China's largest and fastest-growing therapeutic areas with significant unmet clinical needs, including CNS diseases, oncology, anti-infectives and diabetes. We also focus on the gastrointestinal and cardiovascular therapeutic areas. Aside from Category 1.1 innovative drugs, our main products mostly comprise first-to-market generic drugs. Compared to other generic drugs, first-to-market generic drugs have higher technical barriers and enjoy first-mover advantages.

China's pharmaceutical industry gradually adapted to the development trend and accelerated the pace of innovation and development towards a comprehensive transformation and upgrade. We believe that only R&D-driven enterprises with strong innovation ability, high level product quality, guaranteed production and supply, plus excellent commercialization capabilities, will have an opportunity to further build up and continuously expand their advantages in such a complex and volatile environment. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

Superior R&D capabilities as evidenced by our leading position in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011

We have a proven track record of over 20 years of R&D experience as evidenced by our leading position in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. Our in-house R&D capabilities have resulted in a large portfolio of marketed drugs. We have successfully launched and developed a series of innovative drugs and first-to-market generic drugs, and we have a robust pipeline of candidates in different stages of development. We have developed a significant competitive advantage with our fully-integrated drug discovery and development process. Our track record of successful commercialization has enabled us to continue making significant investments into our R&D pipeline.

We began developing Category 1.1 innovative drugs in 2002. As of June 30, 2020, we had successfully developed and marketed four Category 1.1 innovative drugs with NMEs. In addition, we have a robust pipeline of candidates in different stages of development. For further information, please see "– *Our Products under Development.*"

We have developed various proprietary technologies, including a proprietary PEGylation technology, which we use to develop Category 1.1 innovative long-acting drugs, such as our Category 1.1 innovative drug Fulaimei, launched in May 2019. Compared with drugs of the same category without long-acting features, some key advantages of our long-acting drugs are their enhanced efficacy, lower toxicity, reduced administration frequency and superior medication compliance. This combination of benefits results in significant commercial potential for long-acting drugs.

Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments. For example, regulatory authorities in China are currently conducting consistency evaluations for currently marketed generic drugs. We expect that generic drugs that have passed consistency evaluations are at an advantage in areas such as medical insurance coverage and tendering and procurement for medical institutions.

We have one of the largest research and development teams among Chinese pharmaceutical companies. We have a dedicated professional R&D team working in two facilities in Shanghai and Lianyungang. We have several national-level research and development designations, including the National Technology Center (國家級技術中心), Post-doctoral Research Station (博士後科研工作站) and Key National Laboratory (國家重點實驗室).

Effective in-house sales force with therapeutic area focus and strong academic promotion capabilities

We market and sell our products through an effective in-house team of sales professionals. Our patient-centric and clinical-data-driven academic promotion activities increase the knowledge and awareness of the clinical benefits of our products and enhance our brand-awareness among doctors and other medical professionals. Our core sales staff have years of sales experience in their respective therapeutic areas.

Our in-house sales model ensures that our sales and marketing strategies are considered during the research and development phase of our drug candidates' product life-cycle. At the inception of an R&D project, multiple departments closely cooperate and actively communicate with KOLs. During the clinical development stage, we thoroughly analyze the direction of our academic promotion efforts and generate clinical evidence to support future marketing efforts. Once a product has been launched, our sales team continues to gather timely feedbacks from doctors and patients to maximize product potential and optimize R&D strategies.

U.S. FDA-certified manufacturing quality management system enabling us to export injectable pharmaceuticals to developed markets

We have established world-class production facilities and a manufacturing quality management system that comply with the cGMP requirements of China, the United States, and Japan and enable us to produce high quality drugs consistently and efficiently. For example, we have received Japanese PMDA certification in 2016 and U.S. FDA certification in 2019 for our main product Pulaile. We have also received U.S. FDA certification in 2013 for our main product Zefei. In March 2020, our "icatibant injections", indicated for the treatment of an acute attack of hereditary angioedema in adults, was also approved by the U.S. FDA.

Our world-class production facilities and manufacturing quality management system are built on the philosophy of "Quality-by-Design" and involve staff from multiple departments across the entire product development process in order to continuously drive quality improvements and ensure quality control of the whole life-cycle of our drugs. Our advanced manufacturing quality management system is also critical for pursuing consistency evaluation approvals.

A visionary management team with deep insights into the industry and a strong sense of mission

Our core management team has extensive pharmaceutical industry experience, a strong track record, and proven execution capabilities. The management team has in-depth knowledge and extensive experience at all levels of the pharmaceutical industry value chains and they possess years of pharmaceutical industry-related experience ranging from R&D to manufacturing to sales and marketing.

Ms. Zhong, our founder and Chairlady, has more than 25 years of experience in the PRC pharmaceutical industry with substantial experience in pharmaceutical enterprise operation and management, as well as extensive industry knowledge on the development and expansion of our oncology and psychotropics drug portfolio in their respective therapeutic areas. Ms. Zhong has received numerous prestigious awards and recognitions, including "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2014. She received State Council Special Allowance in February 2013. Mr. Lyu, our executive director, has more than 20 years of technical and management experience in R&D and product quality control system in the pharmaceutical industry. Mr. Lyu has obtained numerous prestigious awards, including "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2013 and 2014.

Members of our senior management team have served our Company for years and have a strong sense of mission in contributing to the well-being of humanity. Our management team has established a proven track record in identifying market needs, executing business strategies, and building leading positions in multiple therapeutic areas. We are confident that the skills and experience of our management team, as well as their industry expertise and strong execution capability, will enable us to become a world-renowned pharmaceutical company.

OUR STRATEGIES

We aim to extend market leadership in our focused therapeutic areas in China. Over the long term, our objective is to become a global innovative pharmaceutical company and address significant unmet clinical needs. To achieve these goals, we intend to pursue the following strategies:

Strengthen research and development of our innovative drug candidates

We intend to continue investing in our in-house R&D of innovative drugs to support the organic growth of our product portfolio. Our R&D of innovative drugs will continue to focus on areas where there is substantial unmet medical need and where we already have a strong product portfolio and extensive R&D experience.

We intend to increase our investment in drug discovery capabilities, including the design and development of new chemical entities, particularly those with significant potential for commercialization in China and globally.

We will also strengthen our international clinical development capabilities. We will continue to invest in cutting-edge translational medicine and clinical development to better understand and address drug targets and unmet medical needs. We will also further strengthen our collaboration with domestic and international clinical development experts and institutions to continually improve our innovative drug R&D capabilities.

Continue to strengthen our first-to-market generic drug portfolio

We intend to develop more first-to-market generic drugs to maintain and strengthen our leadership in our core therapeutic areas. With our strong R&D capabilities and in-depth understanding of clinical demand, we believe that we are able to continue to bring to market high-quality generic drugs swiftly to benefit a vast population of patients. We believe the successful launch of first-to-market generic drugs will further enhance our market share in our key therapeutic areas and improve the competitiveness and diversification of our product portfolio.

We also intend to enrich and diversify our product portfolio through our research and development of new drug delivery technologies, including long-acting and sustained-release drug delivery technologies.

Continue to optimize our integrated and specialized academic sales and marketing system

We are committed to sales and marketing through a highly specialized in-house sales network. We will continue to expand and empower our in-house sales team to support the launches of our key R&D pipeline candidates with high growth potential, and deepen our market penetration, in particular in therapeutic areas that we strategically focus on. We will also continue to enhance our academic promotion efforts, including academic partnerships with large hospitals, to increase public awareness of our drugs and our brand. In addition, in response to China's efforts to develop a tiered diagnosis and treatment system, we will further expand our marketing channels and increase our coverage of hospitals at the community or county level.

We will continue to leverage our integrated ecosystem of research, production and sales to enhance our R&D-driven marketing efforts, as well as provide systematic professional training to our sales team to improve their knowledge of our new products and their academic promotion abilities.

In addition, we will continue to build our global distribution network through third-party agents and local distributors in the importing markets, enhance our overseas sales capabilities, in particular in developed markets such as the United States, the EU and Japan, in order to lay a strong foundation for future market penetration and establish "Hansoh" as a global brand.

Maintain world-class facilities and manufacturing quality management system

We are committed to continuously improving our world-class facilities and manufacturing quality management system. We will continue to design and establish our manufacturing facilities and production lines in accordance with international standards, and invest in state-of-the-art manufacturing equipment. Our manufacturing systems have obtained cGMP certifications from the U.S. FDA and the Japanese PMDA, and we plan to leverage our strong track record and experience to obtain additional quality system certifications and adopt advanced standards for entries into overseas markets. Furthermore, we plan to build new facilities, upgrade our existing production lines, and enhance automated manufacturing, to support product launches and the overall efficient growth of our business.

Train and recruit high-caliber talent

We believe that a high quality management and execution team is key to our success and market leadership. Training and recruiting high-caliber talent both in China and overseas is key to maintaining our competitiveness in a rapidly evolving industry. To that end, we will continue to adopt the following initiatives:

- **Recruitment of high-caliber talent.** Continue to attract and retain highly skilled talent in key business areas, in particular talent with expertise and experience in international multi-center clinical trials to execute our R&D strategies. Continue to partner with elite academic institutions in China to provide opportunities for highly talented students and graduates.

- **Talent cultivation.** Continue to strengthen our high-caliber and highly-skilled talent pool through the integration of external recruitment and internal training with an emphasis on continuous self-learning and self-improvement.

- **Incentives.** Enhance our incentive schemes to provide qualified employees with equity participation and promotion opportunities, offer competitive compensation packages, in particular, to our sales and marketing team and R&D staff, and improve employee performance reviews.

Expand our business and product portfolio through selective acquisitions and strategic investments

We intend to expand our business through selective acquisitions of, or strategic investments in, pharmaceutical manufacturing or research companies. We are primarily interested in companies with product portfolios, R&D capabilities, and sales and marketing capabilities that are complementary to ours. We believe this approach will enable us to leverage our sales and marketing structure and realize operational synergies.

We believe our existing experience, capabilities, resources, and industry relationships will not only help us screen and identify suitable targets, but also make us a desirable acquirer and partner in the market. Furthermore, we believe that our strong business execution capabilities will help us effectively integrate the acquired business into our existing platforms and achieve synergies in R&D, production, and sales and marketing.

Furthermore, we will selectively pursue opportunities to in-license international blockbuster drugs, in particular those targeting therapeutic areas or conditions with significant unmet clinical demand as well as those that fall into our main therapeutic areas, or out-license our drugs to boost our R&D capabilities, product portfolio and international brand awareness.

OUR PRODUCTS

Our diversified product portfolio includes 20 main products. Most of these products are in the CNS disease, oncology, anti-infective and the other main therapeutic areas that we strategically target.

CNS Disease Products

Our CNS disease drug portfolio mainly consists of Oulanning (olanzapine tablets) and Ameining (agomelatine tablets). In 2017, 2018 and 2019, our revenue from sales of CNS disease drugs was RMB1,682 million, RMB1,942 million and RMB2,171 million, respectively, representing a CAGR of 13.6% from 2017 to 2019, accounting for 27.2%, 25.1% and 25.0% of our total revenue in each year. In the six months ended June 30, 2020, our revenue from sales of CNS disease drugs was RMB693 million, accounting for 17.4% of our total revenue.

Oulanning (olanzapine tablets) 歐蘭寧®(奧氮平片)

Oulanning is the first-to-market generic of olanzapine in China, indicated for treatment of schizophrenia, mania and bipolar affective disorder; it is typically prescribed for long-term use.

Oulanning was approved by the NMPA for sale in China in 2001 and included in the NRDL in 2004. In May 2018, Oulanning became the first olanzapine tablets to pass the consistency evaluation in China.

After its launch, Oulanning has been widely recognized clinically for its excellent efficacy and quality. In comparison with earlier schizophrenia drugs, olanzapine is indicated for a wider range of indications. Olanzapine also has faster control of acute symptoms and the occurrence rate of extrapyramidal reactions is either small or insignificant.

Oulanning has received many awards and recognitions, including: second prize for the Advancement of Science and Technology Award by the State Council in 2014; National Key New Product by the Ministry of Science and Technology in China in 2010; inclusion in the National Torch Program by the PRC Ministry of Science and Technology in 2013; designated a National Science and Technology Major Project in the "Significant New Drug Development" category by the PRC Ministry of Science and Technology in 2013; First Prize for the Advancement of Science and Technology (全國工商聯科技進步一等獎) by the All-China Federation of Industry & Commerce (中華全國工商業聯合會) in 2013.

Oncology Products

Our oncology drug portfolio mainly consists of Ameile (almonertinib mesylate tablets), Hansoh Xinfu (flumatinib mesylate tablets), which was newly launched in 2019, Pulaile (pemetrexed disodium for injection), Zefei (gemcitabine hydrochloride for injection), Xinwei (imatinib mesylate tablets), Xinmei (decitabine for injection), Xintai (bortezomib for injection) and Tanneng (fosaprepitant dimeglumine for injection).

In 2017, 2018 and 2019, our revenue from sales of oncology drugs was RMB2,444 million, RMB3,518 million and RMB3,530 million, respectively, representing a CAGR of 20.2% from 2017 to 2019, accounting for 39.5%, 45.6% and 40.6% of our total revenue in each year. In the six months ended June 30, 2020, our revenue from sales of oncology drugs was RMB1,844 million, accounting for 46.3% of our total revenue.

Ameile (almonertinib mesylate tablets) 阿美樂®(阿戈美拉汀片)

Ameile is our self-developed innovative drug, indicated for treatment of patients with locally advanced or metastic NSCLC with T790M mutation, who have progressed on or after EGFR-TKI therapy. Ameile is the first innovative drug for the third-generation EGFR-TKI developed in China.

Ameile was approved by the NMPA for sale in China in March 2020 and included in the NRDL in December 2020.

Ameile has demonstrated favourable efficacy and safety, in addition to its efficacy for patients with brain metastasis. In addition to its favorable safety profile, Ameile's median progression free survival (mPFS) for patients being treated is over one year, which is the longest period among same class drugs at the moment. Since its launch, Ameile has been widely applied in clinical practices, bringing new hope to lung cancer patients in China. Ameile has been included in the Guidelines of Chinese Society of Clinical Oncology for the treatment of Non-small Cell Lung Cancer in 2020 (《2020年CSCO非小細胞肺癌診療指南》) due to its efficacy and safety which were highly recognized by clinical experts.

Hansoh Xinfu (flumatinib mesylate tablets) 豪森昕福®(甲磺酸氟馬替尼片)

Hansoh Xinfu (flumatinib mesylate tablets) is our self-developed Category 1.1. innovative drug, indicated for treatment of chronic myelogenous leukemia. Hansoh Xinfu is the second-generation TKI drug targeting Bcr-Abl.

Hansoh Xinfu was approved by the NMPA for sale in China in November 2019 and included in the NRDL in December 2020.

Based on the results of existing clinical trials, its efficacy is better than that of imatinib. Further, no pleural effusion or cardiotoxicity was discovered and its safety is more favorable. Since its launch, patients have benefited significantly and the growth of patient population of long-term application continues. Hansoh Xinfu is recommended in the first-line treatment for chronic myelogenous leukemia in the Guidelines for Diagnosis and Treatment of Chronic Myelogenous leukemia in China (2020 edition) (中國慢性髓性白血病診斷與治療指南(2020版)).

Pulaile (pemetrexed disodium for injection) 普來樂®(注射用培美曲塞二鈉)

Pulaile is the first-to-market generic of pemetrexed disodium in China, which is indicated for the first-line treatment of non-small cell lung cancer and malignant pleural mesothelioma.

Pulaile was approved by the NMPA for sales in China in 2005, approved by the Japanese PMDA in 2016 and approved by the U.S. FDA in 2019. Pulaile was included in the NRDL in February 2017.

We have received a number of awards and recognitions for Pulaile. In particular, Pulaile was included in the National Torch Program in 2007; was designated a National Science and Technology Major Project in the "Significant New Drug Development" category by the PRC Ministry of Science and Technology in 2012; and was awarded Outstanding Prize of the WIPO-SIPO Award for Chinese Outstanding Patented Invention & Industrial Design (中國專利優秀獎) by the PRC State Intellectual Property Office in 2013. Pulaile was also awarded the "Champion Single Products in Manufacturing Industry" (製造業單項冠軍產品) by the Ministry of Industry and Information Technology in 2019.

Zefei (gemcitabine hydrochloride for injection) 澤菲®(注射用鹽酸吉西他濱)

Zefei is the first-to-market generic of gemcitabine hydrochloride in China. Zefei is indicated for the treatment of middle and late-stage non-small cell lung cancer, breast cancer, and pancreatic cancer.

Zefei was approved by the NMPA for sales in China in 2001. In 2013, Zefei was approved by the U.S. FDA in the Unites States, making it the first U.S. FDA-approved lyophilized powder injectable produced by a China-based pharmaceutical company. Zefei was included in the NRDL in 2004.

Since its launch in 2001, Zefei has taken a leading position in the gemcitabine market and increased penetration into county-level markets through our professional academic promotion and active expansion of its scope of clinical application.

We have received a number of awards and recognitions for Zefei. In particular, Zefei was awarded the second prize for the Advancement of Science and Technology Award by the State Council (2013); designated as a National Key New Product (國家重點新產品) in 2006 and National Science and Technology Major Project in 2010 by the PRC Ministry of Science and Technology (中國科學技術部); received the Golden Prize of the WIPO-SIPO Award for Chinese Outstanding Patented Invention & Industrial Design by State Intellectual Property Office in China (中國國家知識產權局) in 2014; was included in the National Torch Program (國家火炬計劃), a program administered by the PRC Ministry of Science and Technology to promote the development of technology in 2014; and was recognized as a China Famous Trademark (中國馳名商標) by the Trademark Office under the State Administration for Industry & Commerce (中國國家工商行政管理總局商標局) in China in 2015.

Xinwei (imatinib mesylate tablets) 昕維®(甲磺酸伊馬替尼片)

Xinwei is the first-to-market generic of imatinib mesylate in China, which is indicated for the targeted treatment of Philadelphia chromosome-positive chronic myelogenous leukemia and acute lymphocytic leukemia gastrointestinal stromal tumors, among others. Unlike most other chemotherapy drugs, imatinib mesylate is typically prescribed for long-term use.

Xinwei was approved by the NMPA for sales in China in 2013. Xinwei was included in the NRDL in February 2017. In May 2018, Xinwei was the first generic imatinib mesylate to pass the consistency evaluation.

We have received a number of awards and recognitions for Xinwei. In particular, Xinwei was designated a National Science and Technology Major Project in the "Significant New Drug Development" category by the PRC Ministry of Science and Technology in 2013, and was recognized as a Jiangsu Hi-Tech Product (江蘇省高新技術產品) by the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in the same year.

Anti-infective Products

Our anti-infective drug portfolio mainly consists of Mailingda (morinidazole sodium chloride injection), Zetan (tigecycline for injection), Hengjie (linezolid glucose injection) and Hengsen (micafungin sodium for injection). In 2017, 2018 and 2019, our revenue from sales of anti-infective drugs was RMB986 million, RMB1,273 million and RMB1,829 million, respectively, representing a CAGR of 36.2% from 2017 to 2019, accounting for 15.9%, 16.5% and 21.1% of our total revenue in each year. In the six months ended June 30, 2020, our revenue from sales of anti-infective drugs was RMB784 million, accounting for 19.7% of our total revenue.

Mailingda (morinidazole sodium chloride injection) 邁靈達®(嗎啉硝唑氯化鈉注射液)

Mailingda is our self-developed, Category 1.1 innovative drug. It is the latest generation nitroimidazole-class antibiotic indicated for treatment of pelvic inflammation, gangrenous appendicitis and suppurative appendicitis caused by certain bacteria in adults. Our clinical studies have shown that morinidazole has a better safety profile than the previous generation nitroimidazole named ornidazole.

Mailingda was approved by the NMPA for sales in China in 2014. Mailingda was included in the NRDL in July 2017 through the National Medical Insurance pricing negotiation process. In November 2019, our agreement for Mailingda with the National Healthcare Security Administration was renewed successfully through negotiation.

Mailingda has been recommended in the treatment of intra-abdominal infection in the Chinese Guideline for the Diagnosis and Management of Intra-abdominal Infection (2019 edition) (中國腹腔感染診治指南(2019版)). Mailingda was also designated as a National Science and Technology Major Project in the "Significant New Drugs Development" category by the PRC Ministry of Science and Technology in 2011.

Gastrointestinal, Diabetes and Cardiovascular Products

Our drug portfolio of this segment mainly consists of Fulaimei (polyethylene glycol loxenatide for injection), Fulaidi (repaglinide tablets), Fulairui (canagliflozin tablets), Ruibote (rabeprazole sodium enteric-coated tablets), Zexin (apixaban tablets) and Ruiyisheng (prucalopride succinate tablets).

In 2017, 2018 and 2019, our revenue from sales of our drug portfolio of this segment was RMB1,074 million, RMB990 million and RMB1,153 million, respectively, accounting for 17.4%, 12.8% and 13.3% of our total revenue in each year. In the six months ended June 30, 2020, our revenue from sales of drug portfolio of this segment was RMB659 million, accounting for 16.6% of our total revenue.

Fulaimei (polyethylene glycol loxenatide for injection) 孚來美®(聚乙二醇洛塞那肽注射液)

Fulaimei is our independently researched and developed Category 1.1 innovative diabetes product, a long-acting hypoglycemic drug. With clear hypoglycemic efficacy and high safety, Fulaimei requires only one injection per week, providing a new treatment choice for diabetes patients in China.

Fulaimei was approved by the NMPA for sale in China in May 2019 and included in the NRDL in December 2020.

The research and development of our polyethylene glycol loxenatide drug candidate has been recognized by the Ministry of Science and Technology of China as a National Major Science and Technological Special Project in the "Significant New Drug Development" category.

OUR PRODUCTS UNDER DEVELOPMENT

Our strong R&D capabilities have yielded a robust pipeline of candidates in different stages spanning our key therapeutic areas.

In the six months ended June 30, 2020, we applied for and obtained clinical approvals of ten drugs, and filed applications for marketing of ten drugs, out of which six new drugs (including one innovative drug and two first-to-market generic drugs) have been granted approval and all generic drugs have passed the consistency evaluation.

Since June 30, 2020, we have obtained a series of drug registration approvals from the NMPA, including:

- ***empagliflozin tablets***, a sodium-glucose co-transporter 2 (SGLT2) inhibitor indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus;

- ***olanzapine oral fast dissolving films***, our innovative drug, an atypical antipsychotic agent indicated for treatment of schizophrenia and manic episodes of bipolar disorder; and

- ***saxagliptin tablets***, a dipeptidyl peptidase-4 (DPP-4) inhibitor indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus.

We believe that obtaining these drug registration approvals will further enrich and improve our product pipeline for treatment of CNS disease and diabetes.

As of June 30, 2020, we had more than a hundred research projects, including five innovative drug projects entering into the Phase II and post-Phase II phases of clinical trials, and 22 projects for the development of bioequivalency (BE) (including the application for production).

RESEARCH AND DEVELOPMENT

We believe our R&D capabilities have been and will continue to be the driving force behind our long-term competitiveness, as well as our future growth and development. We focus on clinical-need based and market oriented R&D, which targets and identifies pharmaceuticals that have the potential for gaining widespread market acceptance within China's fastest growing, large and underserved therapeutic areas.

We have more than 20 years of R&D experience, with a proven track record of successfully researching, developing and commercializing first-to-market generic drugs and Category 1.1 innovative drugs. As of the date of this Offering Circular, we had successfully launched and developed a series of innovative drugs and first-to-market generic drugs, and we have a robust pipeline of candidates in different stages of development.

We have one of the largest R&D teams among pharmaceutical companies in China. Our dedicated professional R&D team works in two R&D centers located in Lianyungang and Shanghai. We strategically conduct our R&D activities across these two R&D centers, which work seamlessly together throughout our product development. We have several national-level R&D designations, including the National Technology Center (國家級技術中心), Post-doctoral Research Station (博士後科研工作站) and Key National Laboratory (國家重點實驗室). In 2017, 2018 and 2019, our total R&D costs amounted to RMB575.5 million, RMB881.3 million and RMB1,120.7 million, respectively, representing 9.3%, 11.4% and 12.9% of our total revenue in each year.

In addition to investment in R&D internally, we also actively seek external cooperation and acquisition opportunities.

In April 2020, we expanded our collaboration with Atomwise on active compound discovery through AI-aided drug design. In July 2020, we entered into a strategic collaboration and license agreement with EQRx, INC. ("**EQRx**") to grant an exclusive license to permit EQRx to research, develop, manufacture and commercialize Almonertinib outside China.

In addition, we introduced two new drug projects through in-licensing. In April 2020, we introduced anti-infective an innovative drug project from NiKang Therapeutics. In July 2020, we introduced a fourth generation inhibiting Bcr-Abl project from Terns Pharmaceuticals. Furthermore, in October 2020, NMPA accepted the biologics license application of "inebilizumab injections", which we jointly developed and commercialized in China with Viela Bio, Inc. We believe these will further enrich and improve our product pipelines.

SALES, MARKETING AND DISTRIBUTION

We market and sell our products through an effective in-house team of sales professionals. Our patient-centric and clinical-data-driven academic promotion activities increase the knowledge and awareness of the clinical benefits of our products and enhance our brand-awareness among doctors and other medical professionals. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas. Our marketing strategies are implemented by our in-house sales and marketing team and are aligned across various therapeutic areas and geographic regions. Our in-house sales and marketing team generates market demand for our products among medical professionals primarily through its academic promotion efforts to enhance medical and healthcare professionals' knowledge and understanding of the usage, clinical efficacy and advantages of our drug products.

We sell our products to pharmaceutical product distributors, who are our customers. Our distributors are not engaged to provide marketing and promotional services for our products. We enter into annual distribution agreements with our distributors. We believe this distribution model helps extend our coverage while allowing us to retain proper control over our distribution network.

Many of our distributors are members of larger national pharmaceutical distributorship groups in China. Our business relationship with our top five distributors exceeds 10 years on average. Our distributor management division, which is part of our in-house sales and marketing team, is responsible for the overall management of our distributors, which includes screening, selecting, reviewing and risk management with respect to our distributors.

PRODUCT PRICING

Prices of most pharmaceutical products in China are determined through a competitive centralized tender process at the provincial level. Our market entry department analyzes government policies and regulations in order to develop our product pricing strategies for the centralized tender process in China and our products' entry into the NRDL or other government-sponsored medical insurance programs at appropriate pricing levels.

The centralized tender process can create pricing pressure among substitute products or products that are perceived by the market to be substitute products, including our products. In 2017, 2018, 2019 and the six months ended June 30, 2020, prices of most of our main products decreased primarily due to downward pricing pressure from the centralized tender process in various provinces across China. Our bidding strategy generally focuses on differentiating our products, instead of competing solely based on pricing.

Prior to June 1, 2015, our pharmaceutical products included in a medical insurance catalogue are subject to pricing regulation mainly in the form of fixed or maximum retail prices at which our pharmaceutical products may be sold to patients through hospitals and pharmacies. As a result of regulatory changes in the PRC, price controls on most pharmaceutical products were lifted since June 1, 2015, allowing for a more market-based drug pricing system. The PRC government continues to regulate prices mainly through a centralized tender process, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices. Despite the regulatory changes, the new regulations could still exert downward pressure on pricing from participation in the centralized tender process and, if significant, could have a corresponding impact on the prices at which we sell our products to our distributors, and consequently our gross profits and gross profit margins. In November 2018 and January 2019, China published relevant documents and notices and launched a national pilot scheme for tendering with minimum procurement quantities in the designated 4+7 cities. Since December 2019, the model of centralized procurement with target quantity in the pilot program for conducting centralized procurement and use of drugs has be promoted nationwide and all drug manufacturers within the scope of centralized procurement marketed in China, with the approval of the medical products administration, may participate in the pilot scheme. In addition, drugs included in any national medical insurance negotiation list generally need to undergo a pricing negotiation process with the government.

PRODUCTION AND QUALITY CONTROL

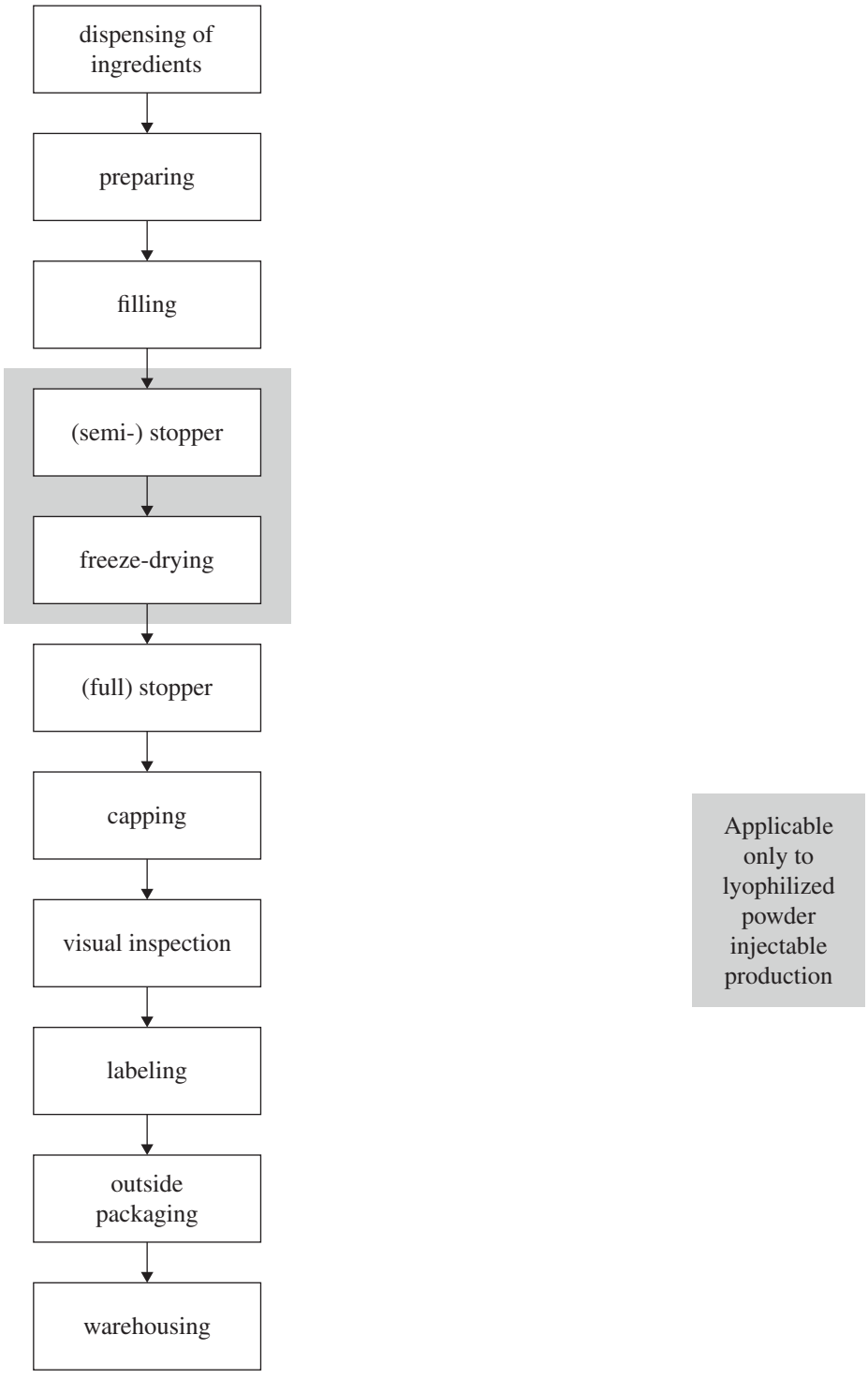
The manufacturing processes of our main products and active pharmaceutical ingredients are set forth below.

Production Process

We operate specific production processes for our injectable pharmaceutical products, tablet pharmaceutical products and active pharmaceutical ingredients, each of which are introduced below.

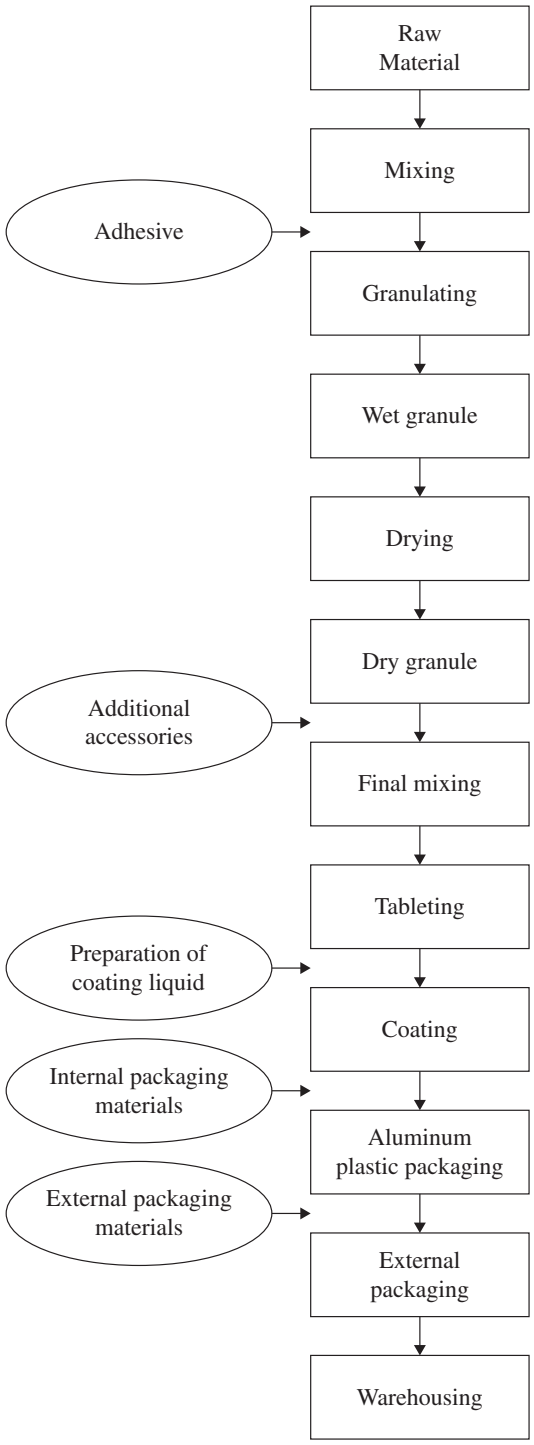
Production Process for Injectables

The following diagram summarizes the production process for our injectable pharmaceutical products, including lyophilized powder injectables, and liquid injectables.



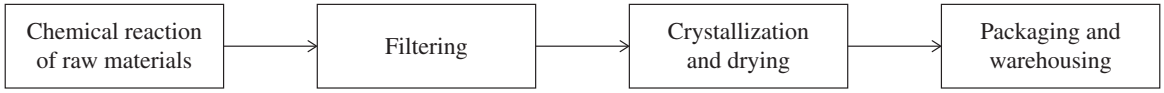
Production Process for Tablets

The following diagram summarizes the production process for tablets.



Production Process for Active Pharmaceutical Ingredients

The diagram below summarizes the major steps of the production process of our active pharmaceutical ingredients.



Our Production Sites and Facilities

Our production activities are currently carried out at our facilities at three sites in Lianyungang: Lushan Road and Dongjin Road for the production of pharmaceutical products and Kaitai Road for the production of active pharmaceutical ingredients. Our key production processes are highly automated and can be used to produce different kinds of pharmaceuticals in the same dosage form without the need to significantly modify the existing production facilities and equipment. Therefore, we are able to adjust our production to meet market demand and our sales target in response to market demand. We import most key equipment used in our production processes from developed countries, as we believe the use of such state-of-the-art equipment provides better quality control and assurance and increases our production efficiency. As of the date of this Offering Circular, we believe our facilities and equipment are in good working condition.

We own all of our production facilities and workshops. We conduct regular maintenance and repair work in compliance with the latest version of Chinese GMP requirements and applicable cGMP requirements.

Raw Materials and Suppliers

The principal raw materials used for our finished pharmaceutical products are the necessary active pharmaceutical ingredients. While we produced the majority of the active pharmaceutical ingredients used to produce our pharmaceutical products in-house in 2017, 2018, 2019 and the six months ended June 30, 2020, we also sourced active pharmaceutical ingredients and other raw materials used to produce our pharmaceutical products from independent third parties. In 2019, the purchases from our five largest suppliers accounted for less than 30% of the total purchases of the year, respectively. We carefully select our suppliers based on various factors, including their product selection, quality, reputation and business scale. In 2017, 2018, 2019 and the six months ended June 30, 2020, we did not experience any product recall or litigation in connection with product quality complaints.

The raw materials of our main products that we source from our suppliers are generally readily available in the market through many suppliers. We believe we have alternative sources for our principal raw materials with comparable quality and prices. We have not experienced significant difficulties in maintaining reliable sources of supplies and expect to be able to maintain adequate sources of quality supplies in the future.

Quality Management

We attach great importance to product quality. We believe that an effective quality management system is critical to ensure the quality of our products and maintaining our reputation and success. We are required to adhere to the China GMP and NMPA-specified quality standards. In addition, we have maintained an advanced production quality system through overseas certifications. Since 2003, we have consistently passed various certifications and inspections in certain developed overseas markets, including the U.S. FDA, the PMDA in Japan, EDQM in Europe and KFDA in South Korea.

We have implemented comprehensive quality control procedures and protocols that span across the entire product development and production lifecycle from the initial R&D, raw material sourcing, to manufacturing, logistics and after-sales services in order to monitor product quality at all stages. Our quality management department, led by managers in charge of quality management for active pharmaceutical ingredients and for finished preparations, respectively, consists of a quality assurance division and a quality control division. Most of employees in our quality management department have pharmaceutical, chemistry or related educational backgrounds. Our quality assurance division is primarily responsible for formulating the standards and procedures under our quality management system in accordance with the requirements under China GMP and the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use, or ICH, and that our product supply chain and production processes comply with these standards and procedures. Our quality control division is primarily responsible for the inspection of incoming pharmaceutical intermediaries, active pharmaceutical ingredients, other raw materials and ancillary materials, chemical reagents, production in-process, final products, and reviewing samples.

Our quality control processes are continuously monitored from the product research development stage to the final product. We have dedicated in-process control, or IPC personnel, and quality assurance and testing personnel. We conduct regular training so that our dedicated IPC personnel understand the regulatory requirements applicable to our product development process and operation of our production facilities. In addition to these skilled and trained personnel, we utilize state-of-the-art equipment and devices to inspect, test and ensure the quality of our pharmaceutical intermediaries, active pharmaceutical ingredients, other raw materials, ancillary materials, chemical reagents, production in-process, final products and samples. Our equipment and technical devices are capable of detecting impurities with an accuracy of one millionth.

Inventory Management

Our inventory consists primarily of finished products and production materials, including active pharmaceutical ingredients and other raw material, reagent, and packaging materials. We have established an inventory management system that monitors each stage of the warehousing process. Our warehousing personnel are responsible for receiving inspection, warehousing, storage and distribution of production materials and finished products. All materials and products are stored in different areas in warehouse according to their storage condition requirement, properties, usage and batch number. Our warehousing personnel regularly check to ensure consistency among the raw material or product, logbook and material card.

INTELLECTUAL PROPERTY RIGHTS

We rely on intellectual property rights to protect our technologies, inventions and improvements that we believe are important to maintain the market share of our products. In order to protect our own intellectual property rights, we enter into confidentiality agreements with our research employees which provide that all relevant intellectual properties developed by our research staff during their employment with us become our intellectual properties and are treated as trade secrets. Our employees are contractually required to refrain from disclosing trade secrets to any third party. Additionally, we also follow procedures, such as designating the Patent Affairs Department to be in charge of patent search and analysis, to ensure that we do not infringe on the intellectual property rights of others and are not engaged in the sale of counterfeit pharmaceutical products.

We have not been sued on the basis of, and have not undergone arbitration in respect of, nor have we received any notification from third parties claiming infringement of any intellectual property or sales of counterfeit pharmaceutical products that have had a material adverse effect on our business. Further, to date, we have not been the subject of any adverse finding in an investigation or audit by any governmental authorities in respect of infringement of any intellectual property of third parties or sales of counterfeit pharmaceutical products that had a material adverse effect on our business. However, despite our internal control procedures, we are still subject to risks relating to intellectual property rights. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, which may have a material adverse impact on our business and results of operations" and "Risk Factors – Risks Relating to Our Business and Industry – We may be subject to intellectual property infringement claims, which could expose us to substantial liability, harm our reputation and limit our research and development activities or other business activities and/or our ability to commercialize our drug candidates" for further details of risks relating to intellectual property rights.

COMPETITION

The pharmaceutical market in China is highly competitive and is characterized by a number of established, large pharmaceutical companies, as well as some smaller emerging pharmaceutical companies. We face competition from other pharmaceutical companies engaged in the research, development, production, marketing or sales of pharmaceutical products. Our key competitors are large national and regional manufacturers of pharmaceutical products, including large state-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies.

Our products primarily compete with products that are indicated for similar conditions as our products on the basis of efficacy, price and general market acceptance by medical professionals and hospitals. The identities of our key competitors vary by product and, in certain cases, our competitors may have greater financial and R&D resources than us, may elect to focus these resources on developing, importing or in-licensing and marketing products in China that are substitutes for our products and may have broader sales and marketing infrastructure with which to do so.

We believe that we compete primarily on the basis of brand recognition, R&D capabilities, promotion activities, sales network, product efficacy, safety, reliability and price. We believe our continued success will depend on our following capabilities: the capability to develop innovative products and advanced technologies; the capability to apply technologies to all production lines; the capability to develop an extensive product portfolio; the capability to maintain a highly efficient operational model; the capability to attract and retain talented technology development personnel; the capability to maintain high quality standards; the capability to obtain and maintain regulatory approvals; and the capability to effectively market and promote products.

RISK MANAGEMENT

We are dedicated to establishing and maintaining a robust internal control system. We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to our strategic plan, research and development, infrastructure, procurement, manufacturing, distribution and retail. Our risk management system also covers general finance management, human resources, information technology, projects, logistics, subsidiaries and policy matters.

We have established a three-layer organizational framework to identify, analyze, categorize, control, and monitor various risks relating to our strategy, operation, market development, financial matters, legal matters, investment and financing, information security, anti-bribery and anti-money laundering.

We will review the implementation and effectiveness of our risk management policies from time to time and will adjust its risk management procedures and processes based on its risk profile.

LEGAL PROCEEDINGS

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As of the date of this Offering Circular, no member of our Group was engaged in any litigation, claim or administrative proceedings of material importance and no litigation, claim or administrative proceedings of material importance is known to our Directors to be pending or threatened against any member of the Group.

EMPLOYEES

As at June 30, 2020, we had a total of 10,159 full-time employees. The remuneration package for employees generally includes salary and bonuses. We conduct periodic performance reviews for employees, and their remuneration is performance-based. Employees also receive welfare benefits including medical care, housing subsidies, pension, occupational injury insurance and other miscellaneous benefits.

We recruit our employees based on a number of factors, including their work experience, educational background and our vacancies. We also provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about our company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, workplace safety and corporate culture. We evaluate our training results every year and adjust our training programs accordingly for the coming year. We believe that these programs have enhanced the productivity of our employees.

INSURANCE

We maintain property insurance covering our production facilities and equipment that we believe are sufficient in accordance with customary industry practice, as well as social welfare insurance in accordance with the relevant laws and regulations in China. We do not carry any product liability insurance or business interruption insurance, which are not mandatory under PRC law as confirmed by our PRC legal advisor. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage is limited; if we experience uninsured losses it could adversely affect our financial condition and results of operations" for further details of risks relating to our current insurance coverage. To minimize our product liability risk, we have instituted quality control measures in order to avoid or reduce the incidence of product defects. Please refer to "– Production and Quality Control – Quality Management" above for further details of our quality control system. Our Directors are of the view that our current insurance coverage is in line with industry practice and is adequate for our operations.

HEALTH AND OCCUPATIONAL SAFETY

We are subject to various PRC laws and regulations in respect of health and occupational safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and surrounding communities. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees, including those required under the GMP certification. For example, we construct and maintain all of our production facilities in accordance with the GMP certification. We also engage qualified inspectors each year to carry out on-site monitoring of our waste water, noise and boiler emission control, the results of which show that we have complied with relevant PRC laws and regulations. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. In particular, we invite experts on fire control safety to conduct training sessions and regularly perform emergency evacuation drills to reduce risks associated with potential fire accidents. Additionally, we appoint qualified consulting firms to conduct on-site safety assessment and hazard identification, which help us enhance our overall health and safety management effectiveness. As of the date of this Offering Circular, we had not experienced any material accidents in the course of our operation and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

ENVIRONMENTAL MATTERS

Our business is subject to national, provincial and local environmental laws and regulations in China. The main pollutants generated during our production process include waste water, waste gas and solid waste. We have established a pollution control system in order to comply with the applicable laws and regulations to adopt compliant and harmless disposal methods for different types of hazardous wastes, and to recycle the recyclable waste solvents and entrust units with hazardous waste disposal qualifications to burn or recycle other non-recyclable solvents. The environmental sanitation department of the plant is entrusted with the uniform disposal of non-hazardous wastes. We seek to reduce, treat and recycle the waste generated in our production process and improve our production technique to reduce the pollutants we discharge to the environment.

The Board consists of 7 members, three of whom are Independent Non-Executive Directors. The following table provides certain information about the Directors:

Name	Current position and role
Ms. Zhong Huijuan (鍾慧娟女士)	Executive Director, the chairlady and the chief executive officer of the Company
Mr. Lyu Aifeng (呂愛鋒先生)	Executive Director
Miss Sun Yuan (孫遠小姐)	Executive Director
Ms. Ma Cuifang (馬翠芳女士)	Non-Executive Director
Mr. Lin Guoqiang (林國強先生)	Independent Non-Executive Director
Mr. Chan Charles Sheung Wai (陳尚偉先生)	Independent Non-Executive Director
Ms. Yan Dongtao (楊東濤女士)	Independent Non-Executive Director

The following table provides information about members of the Group's senior management team and joint company secretaries:

Name	Current position and role
Mr. Wu Gongzheng (吳公正先生)	Senior vice president of our Group
Ms. Zhong Chunhua (鍾春華女士)	Senior vice president of our Group
Mr. Xu Chuanhe (徐傳合先生)	Senior vice president of our Group
Mr. Bao Rudi (包如迪先生)	Senior vice president of our Group
Mr. Hu Min (胡旻先生)	Vice president of our Group
Ms. Zhong Shengli (鍾勝利女士)	Joint company secretary and a senior vice president of our Group
Ms. Li Yan Wing Rita (李昕穎女士)	Joint company secretary

Executive Directors

Ms. ZHONG Huijuan (鍾慧娟女士), aged 59, is the founder of our Group and currently the chairlady, chief executive officer and an executive Director of our Group. Ms. Zhong was appointed as a Director on December 2, 2015. Ms. Zhong was appointed as a director of Jiangsu Hansoh in September 1998. Ms. Zhong is primarily responsible for our Group's strategic development and planning, overall operations, sales and decision making, board governance and supervision of key management issues. Ms. Zhong is the mother of Miss Sun.

Ms. Zhong has approximately 30 years of experience in the pharmaceutical industry in China, with substantial experience in pharmaceutical enterprise operation and management, as well as extensive industry knowledge on the development and expansion of our oncology and psychotropic drug portfolio in their respective therapeutic areas. From September 1994 until the establishment of our Group, Ms. Zhong served at Lianyungang Drug Administration. Ms. Zhong has been responsible for our Group's overall development since its establishment. Under Ms. Zhong's leadership, our Group has developed into one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. Our Group was recognized as a "Leading Enterprise in the Internationalization of Pharmaceuticals (製劑國際化先導型企業)" by the China Chamber Of Commerce For Import & Export Of Medicines & Health Products (中國醫保商會) and China Pharmaceutical Enterprises Association (中國醫藥企業管理協會) in 2014. Since 2016, our Group has been recognized as a National Enterprise Technology Center (國家級企業技術中心) and National Intellectual Property Exemplary Enterprise (國家知識產權示範企業). Our Group has also been continuously recognized as the Top 100 Most Powerful Chinese Pharmaceutical Industrial Enterprises (中國醫藥工業百強企業) by the China Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

Ms. Zhong is the vice president of the council of Jiangsu Pharmaceutical Association (江蘇省藥學會) and a standing supervisor of the China Quality Association for Pharmaceuticals (中國醫藥質量管理協會). Ms. Zhong was also elected as a representative of the 12th and 13th Jiangsu Provincial People's Congress (江蘇省人民代表大會).

Over the years, Ms. Zhong has received numerous awards and recognitions for her contributions to both the pharmaceutical industry and pharmaceutical industrial and commercial enterprises. She received State Council Special Allowance in February 2013. In December 2013, she also received the "All China Federation of Industry Commerce Scientific and Technological Progress Award (first prize)" (中華全國工商業聯合會科技進步獎一等獎). In December 2014, Ms. Zhong received the "State Science and Technology Award (second prize)" (國家科技進步獎二等獎) from the State Council.

In July 1982, Ms. Zhong obtained her undergraduate degree in chemistry from Jiangsu Normal University (江蘇師範大學) (formerly known as Xuzhou Normal University (徐州師範學院)) in Xuzhou. She then obtained her Executive Master of Business Administration ("**EMBA**") from Nanjing University (南京大學) in December 2005.

Mr. LYU Aifeng (呂愛鋒先生), aged 44, is an executive Director of our Company. Mr. Lyu was appointed as a Director on March 11, 2016. Mr. Lyu was appointed as director and president of Jiangsu Hansoh in December 2015. Mr. Lyu is primarily responsible for overall management of the business operations and the scientific development of our Group, and the operations and management of certain subsidiaries of our Group.

Mr. Lyu has more than 20 years of technical and management experience in R&D and product quality control systems in the pharmaceutical industry. Mr. Lyu joined our Group in July 1998 and has served in various positions, including director of product development in August 2001, and director of research institution in March 2009. Mr. Lyu was also appointed as president of Jiangsu Hansoh, the general manager of Shanghai Hansoh Biomedical Co., Ltd ("**Shanghai Hansoh**") and the executive director of Hansoh (Shanghai) Health Technology Co., Ltd. in December 2015, April 2016 and September 2019, respectively.

Mr. Lyu has obtained numerous awards and recognitions. Mr. Lyu obtained the "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2013 and 2014. Mr. Lyu was recognized as a "Young Expert with Outstanding Contributions" (有突出貢獻的中青年專家) by the People's Government of Jiangsu Province (江蘇省人民政府) in March 2015. He was also chosen for the "100 Million Talents Programme" (國家百千萬人才工程) by the PRC Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) in October 2017. He was further selected for the "Ten Thousand Talents Programme" (國家萬人計劃) by the PRC Ministry of Science and Technology (中華人民共和國科學技術部) in May 2018.

Mr. Lyu obtained both his bachelor of science degree in chemistry and his master of science degree in organic chemistry from Nanjing University (南京大學), in July 1998 and June 2005, respectively. Mr. Lyu also obtained his doctorate degree in biomedical engineering from Southeast University (東南大學) in Nanjing in June 2015.

Miss SUN Yuan (孫遠小姐), aged 34, is an executive Director of our Company. Miss Sun was appointed as a Director on December 2, 2015. Miss Sun has served as a director of Jiangsu Hansoh from October 2011 to October 2019. Miss Sun is primarily responsible for providing guidance on research and development strategies, business development, investment strategies and the scientific development of our Group, which includes monitoring and introducing latest industry development and pharmaceutical technologies to the Group and exploring overseas business opportunities. Miss Sun is the daughter of Ms. Zhong.

Miss Sun has approximately nine years of experience in healthcare investment management and industry research. Prior to joining our Group in October 2011, Miss Sun had worked as an analyst at Hony Capital since June 2009.

Miss Sun received her bachelor's degree in biomedical sciences from Cambridge University in June 2007.

Non-executive Directors

Ms. MA Cuifang (馬翠芳女士), aged 45, is a non-executive Director of our Company. Ms. Ma was appointed as a Director on March 11, 2016.

Ms. Ma has more than ten years of experience in finance and investment management. Ms. Ma joined Hillhouse Capital Management, Ltd. in June 2005, and is currently serving as its partner.

Ms. Ma obtained her bachelor of science degree from Beijing Normal University (北京師範大學) in July 1998, and her master of management degree from the Chinese Academy of Sciences (中國科學院) in June 2001. Ms. Ma received her Master of Business Administration from the University of Chicago Booth School of Business in March 2012.

Ms. Ma is a Chinese certified public accountant.

Independent Non-executive Directors

Mr. LIN Guoqiang (林國強先生), aged 77, is an independent non-executive Director of our Company. Mr. Lin has been appointed as an independent non-executive Director of our Company with effect from May 31, 2019. Mr. Lin is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Lin has more than 50 years of research experience in chemistry. Mr. Lin joined the Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in 1968. He was promoted to researcher of such institute in 1990, served as deputy director from 1988 to 1993 and director of such institute from 1993 to 1999. Mr. Lin was a visiting scholar at the Royal Institute of Technology in Sweden in 1980, and also a visiting scientist at both the University of Pittsburgh and R&D Department of SmithKline in the U.S. (美國史克藥業研究開發部) in 1986. Since 1992, Mr. Lin has been the director and executive editor of the publication "Tetrahedron/Tetrahedron Letters" in China and served as deputy chief editor of "China Science: Chemistry" (《中國科學:化學》) from 2008 to 2017. Mr. Lin was also elected as academician of the Chinese Academy of Sciences (中國科學院院士) in 2001.

Mr. Lin has received numerous awards, including State Natural Science Awards and Science Progress Awards. Examples are set out in the table below:

Honor/Award	Awarding Body	Honor/Award
Second Prize of State Natural Science Award of 2016	State Council	December 2016
Second Prize of State Scientific and Technological Progress Award of 2013	State Council	December 2013
Third Prize of State Scientific and Technology Progress Award of 1995	State Scientific and Technological Commission	December 1995
Second Prize of State Scientific and Technology Progress Award of 1987	State Science & Technology Award Judging Panel	July 1987
Third Prize of State Invention Award of 1987	State Scientific and Technological Commission	January 1987

Mr. Lin obtained his bachelor's degree in organic chemistry from Shanghai University of Science and Technology (上海科學技術大學) in July 1964, and obtained his master's degree in organic chemistry from Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in July 1968.

Mr. CHAN Charles Sheung Wai (陳尚偉先生), aged 66, is an independent non-executive Director of our Company. Mr. Chan has been appointed as an independent non-executive Director of our Company with effect from May 31, 2019. Mr. Chan is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and also as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998. From 1996 to 1999, Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants. He also served as a member of the Accounting Standards Committee, Auditing Standards Committee and the chairman of the China Technical Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been an independent non-executive director of SRE Group Limited (Hong Kong Stock Exchange Stock Code: 1207) and Maoyan Entertainment (Hong Kong Stock Exchange Stock Code: 1896) since July 2012 and January 2019, respectively.

In May 1977, Mr. Chan obtained a Bachelor of Commerce degree from the University of Manitoba, in Canada. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Ms. YANG Dongtao (楊東濤女士), aged 63, is an independent non-executive Director of our Company. Ms. Yang has been appointed as an independent non-executive Director of our Company with effect from May 31, 2019. Ms. Yang is primarily responsible for providing independent opinion and judgment to our Board.

Ms. Yang has over 30 years of experience in the field of education. She was a lecturer of the Management Department of Nanjing University School of Business (南京大學商學院管理學系) from March 1985 to March 1992. She then served as associate professor from March 1992 to March 1999 and as professor from March 1999 to February 2007 of the Management Department of Nanjing University School of Business (南京大學商學院管理學系). Ms. Yang has been a professor of the Human Resources Management Department of Nanjing University School of Business (南京大學商學院人力資源管理系) since February 2007. Since May 2016, she has also been the vice president of the Jiangsu Province Human Resources Society (江蘇省人力資源學會).

Ms. Yang is currently an independent non-executive director of Perfect Group Corp., Ltd. (倍加潔集團股份有限公司) (Shanghai Stock Exchange stock code: 603059) and Novoray Corporation (江蘇聯瑞新材料股份有限公司) (Shanghai Stock Exchange stock code: 688300).

Ms. Yang received her bachelor of engineering from Southeast University (東南大學) (formerly known as Nanjing Institute of Technology (南京工學院)) in Nanjing in July 1982. She obtained both her master's degree in economics and her doctorate degree in corporate management from Nanjing University (南京大學) in February 1992 and December 1998, respectively.

Senior Management

Mr. WU Gongzheng (吳公正先生), aged 49, is a senior vice president of our Group and has been appointed to this position since March 2012. Mr. Wu is primarily responsible for Jiangsu Hansoh's overall financial management.

Mr. Wu has more than 20 years of experience in financial management. Mr. Wu joined our Group in September 1997 as a financial supervisor and was promoted to finance director of Jiangsu Hansoh in February 2003.

Mr. Wu obtained his bachelor's degree in statistical economics from Nanjing University of Finance & Economics (南京財經大學) (formerly known as Nanjing College of Economics (南京經濟學院)) in July 1993. Mr. Wu is currently completing his EMBA program at Nanjing University (南京大學).

Ms. ZHONG Chunhua (鍾春華女士), aged 45, is a senior vice president of our Group and has been appointed to this position since January 2013. Ms. Zhong Chunhua is primarily responsible for overseeing production and human resources management of our Group.

Ms. Zhong Chunhua has 20 years of managerial experience in pharmaceutical manufacturing quality control and human resources and joined our Group in July 2000. She was appointed as a quality assurance supervisor in February 2002, and was then promoted to quality assurance manager in August 2004. In March 2009, Ms. Zhong Chunhua was appointed as executive deputy general manager of the production division of Jiangsu Hansoh and has been responsible for managing the pharmaceutical production division.

Ms. Zhong Chunhua received her bachelor of pharmaceutical sciences degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京醫學院)) in Nanjing in July 2000.

Mr. XU Chuanhe (徐傳合先生), aged 57, is a senior vice president of our Group and has been appointed to this position since March 2009. Mr. Xu is primarily responsible for matters related to sales management of our Group.

Mr. Xu has more than 20 years of experience in pharmaceutical sales management. Mr. Xu joined our Group in August 1997 and was appointed as deputy general manager of the sales division in October 1997.

Mr. Xu obtained his bachelor of science degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京藥學院)) in Nanjing in July 1985 and his EMBA from Wuhan University (武漢大學) in December 2008.

Mr. BAO Rudi (包如迪先生), aged 57, is a senior vice president of our Group and has been appointed to this position since October 2016. Mr. Bao joined our Group in September 2012 as deputy general manager of Shanghai Hansoh. Mr. Bao is mainly responsible for the management of R&D of innovative drugs and the scientific development of our Group.

Mr. Bao has approximately 25 years of experience in the pharmaceutical manufacturing industry, including 17 years of experience in management of R&D of drugs. Prior to joining our Group, he was a senior researcher at Novartis Pharmaceuticals from October 2002 to December 2006, and a senior director at Curis Inc. from December 2006 to July 2012.

Mr. Bao obtained his bachelor's degree in medicine from Changwei Medical College (昌潍醫學院) (formerly known as Weifang Medical College (潍坊醫學院)) in July 1986 and his master's degree in medicine from Harbin Medical University (哈爾濱醫科大學) in December 1989. He obtained his doctorate degree in medicine from Peking Union Medical College (北京協和醫學院) (formerly known as China Union Medical College (中國協和醫科大學)) in October 1992.

Mr. HU Min (胡旻先生), aged 44, is a vice president of our Group. Mr. Hu joined our Group in September 2019 and was appointed as chief financial officer.

Mr. Hu has years of experience in finance, auditing, consulting and capital markets in the pharmaceutical and healthcare industries. Before joining our Group, Mr. Hu served as an audit partner for the pharmaceutical and healthcare industries at Deloitte Touche Tohmatsu China. Mr. Hu holds qualifications of certified public accountant of China and the United States.

Mr. Hu obtained his bachelor of economics from Xiamen University in July 1999.

Joint Company Secretaries

Ms. ZHONG Shengli (鍾勝利女士), aged 53, has served as a joint company secretary and a senior vice president of our Group since August 2018 and March 2012, respectively.

Ms. Zhong Shengli joined our Group in July 2010 as investment director and was responsible for investment management.

Before joining our Group, she had more than ten years of work experience in financial institutions. Ms. Zhong Shengli joined Ping An Bank in November 1998 and she was serving as a senior manager of Ping An Bank when she left in July 2010.

Ms. Zhong Shengli obtained her bachelor of arts degree from Beijing Foreign Studies University (北京外國語大學) (formerly known as Beijing Foreign Studies College (北京外國語學院)) in July 1991.

Ms. LI Yan Wing Rita (李昕穎女士) was appointed as a joint company secretary of our Company with effect from the Listing Date. Ms. Li is an executive director of Corporate Services of Tricor Services Limited and has over 20 years of experience in the corporate secretarial field, providing professional corporate secretarial services to listed companies as well as multi-national, private and offshore companies. She is currently the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Li is a chartered secretary, a chartered governance professional and a fellow of both of The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators"). She is a holder of the Practitioner's Endorsement from HKICS. Ms. Li received her bachelor of arts degree from City University of Hong Kong in November 1994.

SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS AND SHARE OPTIONS

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the date of this Offering Circular, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors ("**Model Code**") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Interest in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest[(1)]
Ms. Zhong Huijuan[(2)]	Person with influence over a trust	3,900,000,000	65.89%
Miss Sun Yuan[(2)]	Beneficiary of a trust	3,900,000,000	65.89%
Mr. Lyu Aifeng[(3)]	Beneficial owner	300,000	0.005%

Notes:

(1) The calculation is based on the total number of 5,918,991,200 issued shares of the Company as at the date of this Offering Circular.

(2) These ordinary shares in the Company are beneficially owned by Stellar Infinity Company Ltd. ("**Stellar Infinity**") which is a wholly-owned subsidiary of Sunrise Investment Advisors Limited ("**Sunrise Investment**"), which in turn is wholly owned by Harmonia Holding Investing (PTC) Limited (the "**Sunrise Trust Trustee**") as trustee for The Sunrise Trust (the "**Sunrise Trust**"), a discretionary trust set up by Miss Sun Yuan ("**Miss Sun**"). Ms. Zhong Huijuan ("**Ms. Zhong**") is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in respect of the Sunrise Trust. Accordingly, Ms. Zhong and Miss Sun are deemed or taken to be interested in all the shares of the Company which are beneficially owned by Stellar Infinity for the purpose of Part XV of the SFO.

(3) These ordinary shares in the Company correspond to Mr. Lyu Aifeng's entitlement to restricted share units subject to vesting conditions.

Interest in shares or underlying shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares or underlying shares in the associated corporation	Percentage of shareholding interest in the associated corporation
Ms. Zhong Huijuan	Sunrise Investment[(1)]	Person with influence over a trust	100	100%
Miss Sun Yuan	Sunrise Investment[(1)]	Beneficiary of a trust	100	100%

Note:

(1) Sunrise Investment is wholly owned by the Sunrise Trust Trustee, which is the trustee for the Sunrise Trust, a discretionary trust set up by Miss Sun. Ms. Zhong is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in respect of the Sunrise Trust. Accordingly, Ms. Zhong and Miss Sun are deemed or taken to be interested in all the shares of Sunrise Investment which are beneficially owned by the Sunrise Trust Trustee for the purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this Offering Circular, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this Offering Circular, to the best of the Directors' knowledge, the following persons (not being Directors or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding interest[1]
Stellar Infinity[2]	Beneficial owner	3,900,000,000	65.89%
Sunrise Investment[2]	Interest in controlled corporation	3,900,000,000	65.89%
Sunrise Trust Trustee[2]	Interest in controlled corporation	3,900,000,000	65.89%
Apex Medical[3]	Beneficial owner	950,000,000	16.05%
Mr. Cen Junda[3]	Interest in controlled corporation	950,000,000	16.05%

Notes:

(1) The calculation is based on the total number of 5,918,991,200 issued shares of the Company as at the date of this Offering Circular.

(2) Stellar Infinity is a wholly-owned subsidiary of Sunrise Investment, which in turn is wholly owned by the Sunrise Trust Trustee, the trustee of the Sunrise Trust. Therefore, each of Sunrise Investment and the Sunrise Trust Trustee is deemed to be interested in the shares of the Company held by Stellar Infinity pursuant to the SFO.

(3) Apex Medical Company Ltd. ("**Apex Medical**") is wholly-owned by Mr. Cen Junda. Therefore, Mr. Cen Junda is deemed to be interested in the shares of the Company held by Apex Medical pursuant to the SFO.

Save as disclosed above, as at the date of this Offering Circular, no person (not being a Director or chief executive of the Company) had an interest and/or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds:

The issue of the U.S.$600,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2026 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Hansoh Pharmaceutical Group Company Limited (the "**Issuer**") and the right of conversion into Shares (as defined in Condition 6(A)(iv)) was authorised by the Board of Directors of the Issuer on 16 October 2020. The Bonds are constituted by the trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 22 January 2021 (the "**Issue Date**") between the Issuer and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement dated 22 January 2021 (as amended and/or supplemented from time to time, the "**Agency Agreement**") relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent and principal conversion agent (collectively in such capacities, the "**Principal Agent**") and as transfer agent (the "**Transfer Agent**"), Citigroup Global Markets Europe AG as registrar (the "**Registrar**") and the other paying agents, conversion agents and transfer agents appointed under it (each a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**", as applicable, and, together with the Registrar, the Transfer Agent and the Principal Agent, the "**Agents**", which expressions shall include their respective successors and all persons for the time being Agents under the Agency Agreement) relating to the Bonds. References to "**Paying Agents**" include the Principal Agent and references to "**Conversion Agents**" include the Principal Agent. References to the "**Principal Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Bonds.

Copies of the Trust Deed and of the Agency Agreement are available for inspection during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) at the principal office for the time being of the Trustee (being at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered.

1 FORM, DENOMINATION AND TITLE

(A) Form and Denomination

The Bonds are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (an "**Authorised Denomination**"). A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing (other than the endorsed form of transfer) on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

2 STATUS

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(A)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

3 TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside of both Hong Kong and the United Kingdom in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Bonds may, subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents, together with such evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. In the case of a transfer of part only of a holding of Bonds (being that of one or more Bonds) represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate (see "The Global Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate and provision of any other evidence required by the Registrar or the relevant Transfer Agent as contemplated in Condition 3(B) to the Registrar or, as the case may be, any other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 6, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the relevant Transfer Agent, with whom a Certificate is deposited in connection with a transfer or conversion, is located.

(D) Formalities Free of Charge

Subject to Conditions 3(E) and 3(F), registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(E) Restricted Transfer Periods

No Bondholder may require the transfer of a Bond to be registered (a) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to these Conditions; (b) after a Conversion Notice (as defined in Condition 6(B)(i)) has been delivered with respect to a Bond; or (c) after a Relevant Event Put Exercise Notice (as defined in Condition 8(D)) or an Optional Put Exercise Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond pursuant to Condition 8(D) or, as the case may be, Condition 8(E). Each such period is a "**Restricted Transfer Period**".

(F) Regulations

All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following prior written request and proof of holding and identity satisfactory to the Registrar.

4 COVENANTS

(A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries (as defined below) will, create, permit to subsist or arise, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Charge**") (other than a security interest arising by operation of law) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, unless at the same time or prior thereto according to the Bonds:

(i) the same Charge as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably; or

(ii) such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In these Conditions:

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market but shall not include any financing of the acquisition of assets if (a) by the terms of such financing it is expressly provided that the holders of the resulting indebtedness shall look to the assets financed and the revenues to be generated by the operation of, or loss of or damage to, such assets as the sole source of repayment for the moneys advanced and payment of interest thereon and (b) such financing is not guaranteed by the Issuer or any of its Subsidiaries. For the avoidance of doubt, Relevant Indebtedness shall not include any indebtedness under any loan or loan facility obtained by the Issuer or its Subsidiaries in the ordinary course of business; and

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

(B) NDRC

The Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately (the "**NDRC Post-Issuance Filing**"). The Issuer shall submit the NDRC Post-Issuance Filing and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds.

The Trustee shall have no obligation to monitor or assist with or ensure the filing or completion of the NDRC Post-Issuance Filing is made on or before the deadline referred to above or as otherwise required by this Condition 4(B) or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issuance Filing, and the Trustee shall not be liable to the Bondholders or any other person for not doing so.

5 DEFAULT INTEREST

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, such unpaid amount shall bear interest at the rate of 1.0 per cent. per annum (both before and after judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (B) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

6 CONVERSION

(A) Conversion Right

(i) *Conversion Period:* Subject as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Shares (as defined in Condition 6(A)(iv)) credited as fully paid at any time during the Conversion Period referred to below (the "**Conversion Right**").

Subject to and upon compliance with these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after 4 March 2021 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling ten days prior to the Maturity Date (as defined in Condition 8(A)) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (being 3:00 p.m.) (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E) then up to the close of business (being 3:00 p.m.) (at the place aforesaid) on the day prior to the giving of such notice (the "**Conversion Period**").

A Conversion Right may not be exercised (a) in respect of a Bond where the holder shall have exercised his right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D) or Condition 8(E), or (b) except as provided in Condition 6(A)(iii), following the giving of notice by the Trustee pursuant to Condition 10.

The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$60.00 per Share, but will be subject to adjustment in the manner described in Condition 6(C) and/or Condition 6(D), as applicable.

The number of Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the fixed rate of HK$7.7529 = U.S.$1.00 (the "**Fixed Exchange Rate**")) by the Conversion Price in effect on the relevant Conversion Date (as defined in Condition 6(B)(i) below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 7 January 2021 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash (in U.S. dollar) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds U.S.$10. Any such sum shall be paid by the Issuer not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by a U.S. dollar denominated cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(iii) *Revival and/or survival after Default:* Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined in Condition 6(B)(i)) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 6(B)(i)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(iv) *Meaning of "Shares":* As used in these Conditions, the expression "**Shares**" means ordinary shares having a par value of HK$0.00001 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure and Cash Election

(i) *Conversion Notice:* To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during the Conversion Period at the specified office of any Conversion Agent during its normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from the specified office of each Conversion Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such deposit is made after 3:00 p.m. on a business day or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such deposit shall be deemed for all purposes of these Conditions to have been made on the next following such business day. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorised Denomination.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice to the Conversion Agent and, if applicable, any payment to be made or giving indemnity and/or security and/or pre-funding to be given under these Conditions in connection with the exercise of such Conversion Right.

"**Stock Exchange Business Day**" means any day (other than a Saturday, Sunday or public holiday) on which Relevant Stock Exchange (as defined in Condition 6(G) below), as the case may be, is open for the business of dealing in securities.

(ii) *Stamp Duty etc.:* A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any and all taxes and/or capital, stamp, issue and registration and transfer taxes and duties ("**Duties**") arising on such exercise (other than any Duties payable in the Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange (as defined in Condition 6(G) below) by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Relevant Stock Exchange on conversion, being the "**Issuer Duties**") (such Duties and such Issuer Duties are collectively referred to in this Condition 6(B)(ii) as "**Taxes**"). The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Shares. The Bondholder (and, if different, the person to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Duties payable by such Bondholder pursuant to this Condition 6(B)(ii) have been paid.

If the Issuer shall fail to pay any amount payable for which it is responsible as provided above in this Condition 6(B)(ii), the relevant Bondholder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible or liable to Bondholders, the Issuer or any other person for paying any Taxes or any expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Taxes, expenses or other amounts are payable or the amount thereof and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder or any other person to pay such Taxes, expenses or other amounts.

(iii) *Registration:* Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii), the Issuer will, as soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register in Hong Kong and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "**CCASS**") effective from time to time, take all necessary action to procure that Shares are delivered through CCASS for so long as the Shares are listed on the HKSE (as defined in Condition 6(G) below); or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's obligation to pay the principal on such converted Bonds.

If the Conversion Date in relation to the conversion of any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C) and/or Condition 6(D), as applicable, but before the relevant adjustment becomes effective under the relevant Condition (a "**Retroactive Adjustment**"), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as is, together with Shares to be issued on conversion of the Bond(s), equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period). If the Issuer has elected to pay the converting Bondholder cash in lieu of Shares pursuant to the Cash Settlement Option (as defined below) set forth in Condition 6(B)(iv), the number of Additional Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer shall satisfy its obligations under this Condition 6(B)(iii) by paying, as soon as practicable and in any event not later than six Stock Exchange Business Days after the date of such adjustment of the Conversion Price, to the converting Bondholder the amount in U.S. dollars converted at the Prevailing Rate (as defined in Condition 6(G)) from Hong Kong dollars equal to the Volume Weighted Average Price of any such Additional Shares on the date the Issuer would be required to deliver such Shares if the Cash Settlement Option had not been exercised.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**").

The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such Retroactive Adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in U.S. dollars (the "**Equivalent Amount**") converted at the Prevailing Rate equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by the Issuer by a U.S. dollar denominated cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(iv) *Cash Election:* Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in U.S. dollars equal to the Cash Settlement Amount (as defined below) in order to satisfy such Conversion Right in full or in part (in which case the other part shall be satisfied by the delivery of Shares) (the "**Cash Settlement Option**"). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the "**Cash Settlement Notice**") to the relevant Bondholder as soon as practicable but no later than three Stock Exchange Business Days immediately following the date of delivery of the Conversion Notice (the "**Cash Settlement Notice Date**"). The Cash Settlement Notice must specify the number of Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition. The Issuer shall pay the Cash Settlement Amount no later than the 23rd Stock Exchange Business Day following the Cash Settlement Notice Date. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and Shares available to such converting Bondholders.

For the purposes of these Conditions:

"**Cash Settlement Amount**" means a sum in U.S. dollars equal to the product of (a) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice applies, and in respect of which the Issuer has exercised the Cash Settlement Option and (b) the Market Price of the Shares; and

"**Market Price**" means the arithmetic average of the Volume Weighted Average Price of the Shares (translated into U.S. dollars at the Prevailing Rate on such day) for each day during the 20 consecutive Stock Exchange Business Days immediately after the Cash Settlement Notice Date.

If the Issuer is at any time otherwise (for any reason whatsoever) unable to issue Shares in satisfaction of the Conversion Right of any converting Bondholder, the Issuer undertakes to exercise the Cash Settlement Option in full, or to the extent required, to satisfy the Conversion Right of the Bondholder.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment as follows:

(1) Consolidation, Reclassification or Subdivision:

Adjustment: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share in issue immediately before such alteration.

Effective Date of Adjustment: Such adjustment shall become effective on the date the alteration takes effect.

(2) Capitalisation of Profits or Reserves:

(i) *Adjustment:* If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalisation of profits or reserves (including, Shares paid up out of distributable profits or reserves and/or share premium account) (except any Scrip Dividend) and which would not have constituted a Distribution (as defined in Condition 6(G)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares, or if a record date is fixed therefor, immediately after such record date.

(ii) *Adjustment:* In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined in Condition 6(G)) on the date of announcement of the terms of the issue of such Shares multiplied by the number of such Shares issued exceeds the amount of the Relevant Cash Dividend (as defined in Condition 6(G)) or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such Scrip Dividend;

B is the aggregate number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and

C is the aggregate number of Shares issued pursuant to such Scrip Dividend;

or by making such other adjustment to the Conversion Price to give effect to the foregoing as an Independent Investment Bank shall certify to the Bondholders is fair and reasonable.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(3) Distributions:

Adjustment: If and whenever the Issuer shall pay or make any Distribution to Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution in Hong Kong dollars attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date that such Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

(4) Rights Issues of Shares or Options over Shares:

Adjustment: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any

Shares (or shall grant any such rights in respect of existing securities so issued), in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights (and notwithstanding that the relevant issue may be or be expressed to be subject to Shareholder or other approvals or consents or other contingency or event occurring or not occurring), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be, on the Relevant Stock Exchange.

(5) Rights Issues of Other Securities:

Adjustment: If and whenever the Issuer shall issue securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of the securities, or issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Relevant Stock Exchange.

(6) Issues at Less than Current Market Price:

Adjustment: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4)) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, or purchase of Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(4)) any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares (other than the Bonds), in each case at less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the aggregate number of Shares in issue immediately before the issue or grant of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue or grant of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(7) Other Issues at Less than Current Market Price:

Adjustment: If and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any Securities (other than the Bonds, which term shall for this purpose exclude any further bonds issued pursuant to Condition 17) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

(8) Modification of Rights of Conversion etc.:

Adjustment: If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Bonds) as are mentioned in Condition 6(C)(7) (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Effective Date of Adjustment: Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

(9) Other Offers to Shareholders:

Adjustment: If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall offer any securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6(C)(2), 6(C)(3), 6(C)(4), 6(C)(5), 6(C)(6) or 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Effective Date of Adjustment: Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(10) Other Events:

Adjustment: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to in this Condition 6(C) (even if the relevant circumstance is specifically excluded from the operation of Conditions 6(C)(1) to 6(C)(9) (both inclusive)), the Issuer shall, at its own expense, request an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment (if any) should take effect and upon such determination by the Independent Investment Bank, such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 6(C)(10) if such Independent Investment Bank is so requested to make and does make such a determination.

(D) Adjustment upon Change of Control

If a Change of Control (as defined in Condition 8(D)) shall have occurred, the Issuer shall give notice of that fact to the Bondholders (the "**Change of Control Notice**") in accordance with Condition 11 within 14 days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice (with a copy to the Trustee and the Principal Agent), upon any exercise of Conversion Rights such that the relevant Conversion Date falls within the period of 30 days following the later of (i) the relevant Change of Control and (ii) the date on which the Change of Control Notice is given to Bondholders (such period, the "**Change of Control Conversion Period**"), the Conversion Price shall be adjusted in accordance with the following formula:

$NCP = OCP/(1 + (CP \times (c/t))$, where

NCP = the Conversion Price after such adjustment;

OCP = the Conversion Price before such adjustment. For the avoidance of doubt, OCP for the purposes of this Condition 6(D) shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion to which this Condition 6(D) is applicable;

CP (or Conversion Premium) = 44.06 per cent. expressed as a fraction;

c = the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t = the number of days from and including the Issue Date to but excluding the Maturity Date.

If the last day of a Change of Control Conversion Period shall fall during a Restricted Transfer Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Restricted Transfer Period.

(E) Undertakings

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

(i) it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the HKSE, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the HKSE;

(ii) it will use all reasonable endeavours to maintain the listing of the Bonds on the HKSE and if the Issuer is unable to maintain such listing or such listing is unduly onerous, to use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 11 (which notice shall be copied to the Trustee and the Principal Agent) of the listing or delisting of the Bonds by any such stock exchange;

(iii) it will pay the expenses of the issue and delivery of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds (save for any Duties payable by the relevant Bondholder as specified in Condition 6(B)(ii)); and

(iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

(I) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and

(II) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the nominal value of the Shares, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(F) Provisions Relating to Changes in Conversion Price

(i) *Minor Adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee and the Principal Agent in writing promptly after the determination thereof.

(ii) *Decision of an Independent Investment Bank:* If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

(iii) *Minimum Conversion Price:* Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by applicable laws and regulations.

(iv) *Reference to "Fixed":* Any references herein to the date on which a consideration is "**fixed**" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(v) *Multiple Events:* Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

(vi) *Share Option Schemes:* Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Issuer or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee incentive scheme or plan (and which such scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange) ("**Share Scheme Shares/Options**") unless any grant or issue of Share Scheme Shares/Options (which, but for this provision, would have required adjustment pursuant to this Condition 6) would result in the total number of Shares which may be issued upon exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over

1.0 per cent. of the average number of issued and outstanding Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 1.0 per cent. of the average number of issued and outstanding Shares during the relevant 12-month period shall be taken into account in determining adjustment of the Conversion Price pursuant to this Condition 6.

(vii) *Upward/downward Adjustment:* No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(F)(iii).

(viii) *Trustee and Agents Not Obliged to Monitor or Make Calculation:* Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists or may happen or come into existence which may require an adjustment to be made to the Conversion Price or to make any determination or calculation (or to verify any determination or calculation) in connection with the Conversion Price and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Investment Bank in making any determination or calculation or any erroneous determination or calculation in connection with the Conversion Price.

(ix) *Notice of Change in Conversion Price:* The Issuer shall give notice to the Bondholders in accordance with Condition 11 (with a copy to the Trustee and the Principal Agent) and, for so long as the Bonds are listed on the HKSE and the rules of the HKSE so require, the Issuer shall also give notice to the HKSE of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

(G) Definitions

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the HKSE, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

"**Closing Price**" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the HKSE or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;

"**Current Market Price**" means, in respect of a Share on a particular date, the average of the Closing Prices of one Share for the 20 consecutive Trading Days ending on and including (i) the Trading Day immediately preceding such date or (ii) if the relevant announcement was made after the close of trading on such date (being a Trading Date), such date of announcement; provided that if at any time during such 20 Trading Day period the Shares shall have been quoted ex-dividend (or ex-any other entitlement) and during some other part of that period the Shares shall have been quoted cum-dividend (or cum-any other entitlement) then:

(i) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share; or

(ii) if the Shares to be issued or transferred and delivered rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Share;

and provided that:

(I) if on each of the said 20 Trading Days the Shares have been quoted a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share in any such case determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

(II) if the Closing Price of a Share is not available on one or more of the said 20 Trading Days (disregarding for this purpose the proviso to the definition of Closing Price), then the average of such Closing Prices which are available in that 20 Trading Day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Closing Price is available in the relevant period the Current Market Price shall be determined by an Independent Investment Bank; and

(III) in making any calculation or determination of Current Market Price in relation to an issue of Shares, other securities or options, rights or warrants for shares or other securities which are issued offered, allotted, appropriated, modified or granted in connection (partly or fully) with any merger or acquisition, each reference above to 20 consecutive Trading Days shall be to 30 consecutive Trading Days.

In making any calculation or determination of Current Market Price, such adjustments (if any) shall be made as an Independent Investment Bank considers appropriate to reflect any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event;

"**Distribution**" means (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (ii) any cash dividend or distribution (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) translated into Hong Kong dollars at the Prevailing Rate as at the date such distribution under (i) and/or (ii) of this definition is announced. In making any such calculation, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares;

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend determined as at the date of announcement of such dividend (in which case no determination by an Independent Investment Bank would be required); (ii) the fair market value of any other cash amount shall

be equal to such cash amount (in which case no determination by an Independent Investment Bank would be required); and (iii) where Securities are or will be publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such Securities shall equal the arithmetic mean of the daily closing prices of such Securities during the period of five Trading Days commencing on the first such Trading Day (or, if later, the first such Trading Day such Securities are publicly traded) or such shorter period as such Securities are publicly traded;

"**HKSE**" means The Stock Exchange of Hong Kong Limited or any successor thereto;

"**Independent Investment Bank**" means an independent investment bank of international repute selected and appointed by the Issuer (at the cost of the Issuer) and notified in writing to the Trustee and the Principal Agent in writing;

"**Material Subsidiary**" means any Subsidiary of the Issuer:

(i) whose revenue (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to the Issuer, as shown by its latest audited statement of profit or loss are at least ten per cent. of the revenue as shown by the latest published audited consolidated statement of profit or loss and other comprehensive income of the Issuer and its Subsidiaries; or

(ii) whose profits before taxation and exceptional items ("**pre-tax profit**") (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited consolidated statement of profit or loss, are at least ten per cent. of the pre-tax profit as shown by the latest published audited consolidated statement of profit or loss and other comprehensive income of the Issuer and its Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share or profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(iii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer, as shown by its latest audited consolidated statement of financial position, are at least ten per cent. of the total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated statement of financial position of the Issuer, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Material Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i), (ii) or (iii) above of this definition,

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes

a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(b) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenues, pre-tax profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenues, pre-tax profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(d) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (a) above) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate in English in substantially the form scheduled to the Trust Deed prepared and signed by an Authorised Signatory of the Issuer stating that a Subsidiary is or is not, or was or was not, a Material Subsidiary of the Issuer shall, in the absence of manifest error, be conclusive and binding on all parties. Each such certificate shall be accompanied by a report by an internationally recognised firm of independent accountants addressed to the directors of the Issuer and the Trustee as to proper extraction of the figures used by the Issuer in determining the Material Subsidiaries of the Issuer and mathematical accuracy of the calculation;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing and Shanghai;

"**Prevailing Rate**" means, in respect of any currency on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

"**Relevant Cash Dividend**" means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend (which, for the avoidance of doubt, shall exclude a purchase or redemption of Shares, but include the Relevant Cash Dividend component of a Scrip Dividend);

"**Relevant Page**" means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters page or such other information service provider that displays the relevant information;

"**Relevant Stock Exchange**" means at any time, in respect of the Shares, the HKSE or the Alternative Stock Exchange;

"**Securities**" means any securities including, without limitation, shares, options, warrants or other rights to subscribe for or purchase or acquire securities;

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition (6)(C)(ii));

"**Trading Day**" means a day on which the Relevant Stock Exchange (or in respect of any other security, relevant securities market) is open for business and on which Shares or other securities may be dealt in (other than a day on which the Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time) provided that, if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; and

"**Volume Weighted Average Price**" means, in respect of a Share or Security on any Trading Day, the order book volume-weighted average price of a Share or Security published by or derived (in the case of a Share) from Bloomberg (or any successor service) page "VAP" or (in the case of a Security (other than Shares)) from the principal stock exchange or securities market on which such Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Investment Bank on such Trading Day, *provided that* on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share or Security in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

References to any issue or offer or grant to Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

7 PAYMENTS

(A) Method of Payment

Payment of principal, default interest (if any) or sums payable following the exercise of a Cash Settlement Option will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second Business Day (as defined below in Condition 7(F)) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day (as defined below in Condition 7(F)), for value on the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so).

(F) Business Day

In this Condition 7, "**Business Day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in New York City, Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that it will maintain (i) a Principal Agent, (ii) a Registrar with a specified office outside both Hong Kong and the United Kingdom. Notice of any changes in any Agent or their specified offices will promptly be given by the Issuer to the Bondholders.

8 REDEMPTION, PURCHASE AND CANCELLATION

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount on 22 January 2026 (the "**Maturity Date**"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Conditions 8(B) or 8(C) (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

(i) The Issuer may redeem all and not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at its principal amount, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (a) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the People's Republic of China (the "**PRC**") or the Cayman Islands or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 January 2021, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B)(i), the Issuer shall deliver to the Trustee (I) a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking reasonable measures available to it and (II) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has, or would become, obligated to pay such Additional Tax Amounts as a result of such change or amendment referred to above in this Condition 8(B)(i). The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (a) and (b) above of this Condition 8(B)(i), in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and incur no liability to any Bondholder for or in respect of any action taken, omitted or suffered in reliance upon such certificate and opinion.

On the Tax Redemption Date, the Issuer (subject to Condition 8(B)(ii)) shall redeem the Bonds at their principal amount.

(ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(B)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(B)(ii), the holder of the relevant Bond must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) from the specified office of any Paying Agent together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date. Such notice of exercise from the Bondholder, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's written consent.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11, the Issuer may redeem all and not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount:

(i) at any time after 22 January 2024, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate), for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 5 Trading Days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then in effect for each of the 20 Trading Days; or

(ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in aggregate principal amount of the Bonds originally issued (which shall for this purpose include any further Bonds issued pursuant to Condition 17).

If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive Trading Day period as mentioned in Condition 8(C)(i) above, appropriate adjustments for the relevant days shall be made, as determined by an Independent Investment Bank, for the purpose of calculating the Closing Price for such days.

(D) Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at their principal amount. To exercise such right, the holder of the relevant Bond must deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above in this Condition 8(D).

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Within 14 days after it becomes aware of the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and the Principal Agent in writing and to the Bondholders in accordance with Condition 11. Such notice regarding the Relevant Event shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to this Condition. Such notice shall also specify: (i) the date of such Relevant Event and, all information material to Bondholders concerning the Relevant Event; (ii) the Relevant Event Put Date; (iii) the last date by which a Relevant Event Put Exercise Notice must be given; (iv) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right or Conversion Right; and (v) the information required by Condition 8(H).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer, and none of them shall be liable to the Bondholders or any other person for any loss arising from any failure by it to do so.

For the purposes of this Condition 8(D):

"**Control**" means (a) the right to appoint and/or remove all or the majority of the members of the relevant entity's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise; or (b) the acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of the relevant entity.

a "**Change of Control**" occurs when:

(a) any Person or Persons other than the Permitted Holders (or Persons who are Controlled by the Permitted Holders) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date;

(b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons, other than the Permitted Holders, acquiring Control over the Issuer or the successor entity; or

(c) the Permitted Holders together cease (directly or indirectly) to be the largest holders of Voting Rights of the Issuer;

"**Permitted Holders**" means Ms. Zhong Huijuan and Miss Sun Yuan;

"**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect Subsidiaries;

"**Relevant Event**" occurs:

(a) when the Shares cease to be listed or admitted to trading or are suspended from trading on the Main Board of the HKSE for a period equal to or exceeding 30 consecutive Trading Days; or

(b) when there is a Change of Control; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer (including, at the time, stock of any other class or classes which shall have, or might have, voting power by reason of the happening of any contingency).

(E) Redemption at the option of the Bondholders

On 22 January 2024 (the "**Optional Put Date**"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Optional Put Date at its principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) at the specified office of any Paying Agent a duly

completed and signed notice of redemption, in the then current form obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) from the specified office of any Paying Agent (an "**Optional Put Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Optional Put Date.

An Optional Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents in writing to such withdrawal) and the Issuer shall redeem the Bonds the subject of Optional Put Exercise Notices delivered as aforesaid on the Optional Put Date.

(F) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders of the Bonds and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10, Condition 14(a) and Condition 15.

(G) Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer, or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(H) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (i) the Conversion Price as at the date of the relevant notice; (ii) the last day on which Conversion Rights may be exercised; (iii) the Closing Price of the Shares on the latest practicable date prior to the publication of the notice; (iv) the applicable redemption amount; (v) the date for redemption; (vi) the manner in which redemption will be effected; (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice; and (viii) such other information as the Trustee may require.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition 8), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

9 TAXATION

All payments made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or the Cayman Islands or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the aggregate rate applicable on 7 January 2021 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding (A) by or within the PRC in excess of the Applicable Rate or (B) by or within the Cayman Islands, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(i) *Other connection:* to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC or the Cayman Islands, other than the mere holding of the Bond or by the receipt of amounts in respect of the Bond; or

(ii) *Presentation more than 30 days after the relevant date:* (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

"**Relevant Date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal or default interest (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(B).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent or any other person that would permit, enable or facilitate the payment of any principal or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding, or if so directed by an Extraordinary Resolution, shall (subject in either case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately become due and repayable at their principal amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

(A) *Non-Payment:* the Issuer fails to pay the principal on any of the Bonds when due and such failure continues for a period of three Stock Exchange Business Days; or

(B) *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or

(C) *Failure to deliver Shares:* any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Bonds (or pay any Cash Settlement Amount in respect thereof) and such failure continues for a period of five Stock Exchange Business Days; or

(D) *Cross-Acceleration:* (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(D) have occurred equals or exceeds U.S.$50 million or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or

(E) *Enforcement Proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

(F) *Security Enforced:* any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) against any material part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged within 30 days; or

(G) *Winding-up:* an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Material Subsidiaries (except for a members' voluntary solvent winding up of a Subsidiary of the Issuer) and such order is not discharged within 30 days, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary of the Issuer, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer, whether due to a disposal of such Subsidiary on arm's length basis or otherwise; or

(H) *Insolvency:* the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer or any of its Material Subsidiaries; an administrator or liquidator of the Issuer or any of its Material Subsidiaries of the whole or substantially all of the assets and revenue of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made) and such appointment is not discharged within 30 days; or

(I) *Nationalisation:* any step is lawfully taken by a competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Material Subsidiaries; or

(J) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of the Cayman Islands or Hong Kong is not taken, fulfilled or done; or

(K) *Illegality:* it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(L) *Analogous Events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(A) to 10(K).

11 NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading English language newspaper having general circulation in Hong Kong or, if such publication is not practicable, in an English language newspaper having general circulation in Asia (which is expected to be the *Wall Street Journal*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.

12 PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds shall be prescribed and become void unless made as required by Condition 7 within five years (in the case of default interest) and 10 years (in the case of principal) from the appropriate Relevant Date.

13 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security as the Issuer and the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent in aggregate principal amount of the Bonds for the time being outstanding and

subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds, the Optional Redemption Date or the Optional Put Date, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B), 8(C), 8(D) or 8(E), (iii) to reduce or cancel the principal amount or Equivalent Amount payable in respect of the Bonds, (iv) to change the currency of denomination or payment of the Bonds, (v) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (a) a written resolution signed by or on behalf of the holders of not less than 66 per cent. in aggregate principal amount of Bonds for the time being outstanding or (b) passed by Electronic Consent (as defined in the Trust Deed) shall be as valid and effective as a duly passed Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(B) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (a) any modification of any of the provisions of the Trust Deed, any deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (together the "**Documentation**") which in the Trustee's opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or to comply with mandatory provisions of law, and (b) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may (but shall not be obliged to), without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11.

(C) Substitution

The Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition 14(C)) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer subject to (i) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, and (ii) the Bonds continuing to be convertible or exchangeable into Shares as provided in these Conditions *mutatis mutandis* as provided in these Conditions, subject in any such case to certain other conditions set out in the Trust Deed being complied with. Any such substitution shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11.

(D) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(A), a modification, waiver or authorisation in accordance with Condition 14(B) or a substitution in accordance with Condition 14(C), the Issuer will procure that the Bondholders be notified in accordance with Condition 11.

15 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice to the Issuer or any other person, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it needs not take any such steps and/or actions and/or institute any such proceedings unless (A) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

16 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings or other action unless indemnified and/or secured and/or pre-funded of its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely conclusively and without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or opinion or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, opinion or advice, in which case such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer and the Bondholders.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on its part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or any of its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

17 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the timing for complying with the requirements set out in these Conditions in relation to the NDRC Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any such further bonds issued pursuant to this Condition and consolidated and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except to the extent contemplated in Conditions 10 and 15 or as otherwise expressly provided for in these Conditions and/or in the Trust Deed.

19 GOVERNING LAW AND SUBMISSION TO JURISDICTION

(A) Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(B) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Trust Deed and the Agency Agreement ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts and waived any objections to Proceedings in any such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Exchange of Bonds Represented by Global Certificates

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream (or any other clearing system (an "**Alternative Clearing System**") as shall have been selected by the Issuer and approved by the Trustee, the Principal Agent and the Registrar on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Meetings

The registered holder of the Global Certificate (the "**Registered Holder**") (and any proxy or representative appointed by it) will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Right attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices (as defined in the Terms and Conditions) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

The Issuer, for value received, will pay to the Registered Holder of the Bonds in respect of which the Global Certificate is issued (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions may become repayable in accordance with the Terms and Conditions) the amount payable upon redemption under the Conditions in respect of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Terms and Conditions.

Payment of principal in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Bondholder's Redemption

The Bondholder's redemption options in Condition 8(D) *(Redemption for Delisting or Change of Control)* and Condition 8(E) *(Redemption at the option of the Bondholders)* of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise (if required) within the time limits specified in the relevant Condition.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Condition 8(B) *(Redemption for Taxation Reasons)* and Condition 8(C) *(Redemption at the Option of the Issuer)* of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Condition and Condition 8(H) (*Redemption Notices*) of the Terms and Conditions.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(B) *(Redemption for Taxation Reasons)* of the Terms and Conditions shall be exercised by the presentation to any Paying Agent, or to the order of such Paying Agent, of a duly completed Tax Redemption Notice within the time limits set out in and containing the information required by Condition 8(B) *(Redemption for Taxation Reasons)* of the Terms and Conditions.

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

DESCRIPTION OF THE SHARES

*Set out below is certain information concerning the Shares and a summary of certain provisions of the Company's Memorandum of Association (the "**Memorandum of Association**") and Articles of Association (the "**Articles of Association**") and certain other information concerning the Company. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Memorandum of Association and Articles of Association.*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 2, 2015 under the Companies Act (2021 Revision) of the Cayman Islands, Cap. 22 (Act 3 of 1961) (as amended or supplemented or otherwise modified from time to time, the "**Companies Act**" or "**Cayman Companies Act**") and, therefore, operates subject to Cayman Islands law.

ALTERATION OF CAPITAL

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(i) consolidate and divide all or any of its share capital into shares of 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;

(ii) 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 Act; and

(iii) 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 Act, 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 Act.

SPECIAL RESOLUTION – MAJORITY REQUIRED

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, 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.

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.

ANNUAL GENERAL MEETING

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.

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:

(i) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(ii) the instrument of transfer is in respect of only one class of shares;

(iii) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(iv) 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;

(v) the shares concerned are free of any lien in favour of the Company; and

(vi) 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).

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company is empowered by the Companies Act 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.

DIVIDENDS AND OTHER METHODS OF DISTRIBUTIONS

Subject to the Companies Act 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.

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.

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 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.

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 Act, 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 Act, 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.

TAXATION

The following summary of certain PRC, Cayman Islands and Hong Kong tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

THE CAYMAN ISLANDS

Under existing laws of the Cayman Islands, payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds, as the case may be, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds. The holder of any Bonds (or a legal personal representative of such holder) whose Bonds are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Bonds. An instrument transferring title to a registered Bond, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty may be payable if any original documents are brought to or executed in the Cayman Islands.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes (the "**non-PRC Holders**"). In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Taxation of the Bonds

Under the EIT Law and its implementation rules, the standard tax rate of 25% applies to all enterprises (including foreign-invested enterprises) with exceptions in special situations if relevant criteria are met and subject to the approval of the PRC tax authorities.

An enterprise incorporated outside of the PRC whose "de facto management body"is located in the PRC is considered a "resident enterprise" and will be subject to a uniform EIT rate of 25% on its global income. On April 22, 2009, the State Administration of Taxation (the "**SAT**"), in 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認定為居民企業有關問題的通知》) ("**Circular 82**"), which was most recently amended in December 2017, specified certain criteria for the determination of what constitutes "de facto management bodies". If all of these criteria are met, the relevant foreign enterprise will be deemed to have its "de facto management bodies" located in the PRC and therefore be considered a resident enterprise in the PRC. These criteria include: (a) the enterprise's day-to-day operational management is primarily exercised in the PRC; (b) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (d) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC.

In addition, an enterprise established outside the PRC which meets all of the aforesaid requirements is expected to make an application for the classification as a "resident enterprise" and this will ultimately be confirmed by the province-level tax authority. Although Circular 82 only applies to foreign enterprises that are majority-owned and controlled by PRC enterprises, not those owned and controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may be adopted by the PRC tax authorities as the test for determining whether the enterprises are PRC tax residents, regardless of whether they are majority-owned and controlled by PRC enterprises. However, it is not entirely clear how the PRC tax authorities will determine whether a non-PRC entity (that has not already been notified of its status for EIT purposes) will be classified as a "resident enterprise" in practice.

Except for our PRC subsidiaries and joint ventures incorporated in China, we believe that none of our entities incorporated outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body".

If the Company is considered as a PRC tax resident enterprise for the purpose of the EIT Law and consequently is subject to enterprise income tax at a rate of 25% on its income sourced from both within and outside the PRC, holders will be subject to withholding tax, income tax and other taxes or duties imposed by relevant government authorities in the PRC in respect of the holding of the Bonds or any repayment of principal and premium (if any) made thereon, as further described below.

In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income, if it (i) does not have an establishment or place of business in the PRC or (ii) has an establishment or place of business in the PRC but its PRC-sourced income is not connected with such establishment or place of business in the PRC, unless an exemption or a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established or tax resident and the PRC, and such income tax must be withheld at source by the PRC payer.

According to the IIT Law and the implementation regulations, non-resident individuals are generally subject to individual income tax at a rate of 20% with respect to PRC-sourced income from interest, dividends and transfer of property unless such tax is reduced or exempted under relevant double taxation treaties. Under the IIT Law, a "**non-resident individual**" means any non-resident PRC individual who has no domicile and does not reside in the PRC or who has no domicile but has resided in China for less than accumulative 183 days in one tax year.

Accordingly, if, in accordance with the Terms and Conditions, the Company is required to pay interest on the Bonds because payment of principal on the Bonds was improperly withheld or refused, the Company must withhold income tax from the payments of the interest on the Bonds to any non-PRC resident enterprise holder and any non-PRC resident individual holder. In such case, subject to certain exceptions, the Company will pay such additional amounts as will result in receipt by the holder of such amounts as would have been received by them had no such withholding been required. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (Cai Shui [2016] No. 36) (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》(財税[2016]36號))effected on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or real property within PRC must pay value-added tax ("**VAT**") in accordance with these measures. The VAT rates for financial services, which refer to the business activities of financial and insurance operations, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, shall be 6% plus local levies. Income obtained from various kinds of possession or borrowing of funds, including interest income, will be subject to VAT. If, in accordance with the Terms and Conditions, the Company is required to pay interest on the Bonds because payment of principal on the Bonds was improperly withheld or refused, the Company may be required to withhold VAT on such interest payment. In such case, subject to certain exceptions, the Company will pay such additional amounts as will result in receipt by the holder of such amounts as would have been received by them had no such withholding been required.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC resident enterprise holders under the EIT Law may be subject to PRC enterprise income tax if such gains are regarded as PRC-sourced income. Under the IIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC individual Holders under the IIT Law may be subject to PRC individual income tax in such gains are regarded in PRC-sourced income. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident enterprises or non-resident individuals on income derived by them from the sale or transfer of the Bonds and there is uncertainty as to whether gains realised on the transfer of the Bonds by non-PRC resident enterprise holders or non-PRC individual holders will be subject to PRC enterprise or individual income tax. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations in terms of collecting enterprise income tax or individual income tax on such income in the future.

If the Company is considered as a PRC tax resident enterprise, any PRC tax on redemption premium or transfers of Bonds will apply at a rate of 10% in the case of non-PRC enterprises and 20% in the case of non-PRC individuals unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

The conversion of the Bonds by non-PRC holders is not subject to PRC income tax.

Taxation of the Shares

Taxation on dividends

The Company may be considered a PRC tax resident enterprise, as described in "*Risk Factors – Risks Relating to Doing Business in the PRC – Under the PRC Enterprise Income Tax Law, the Group may be treated as a PRC tax resident enterprise, which may subject the Group to PRC income taxes on the Group's worldwide income, require the Group to withhold tax on interest it pays on the Bonds and dividends it pays on the Shares and require holders of the Bonds and Shares to pay tax on gains realised from the sale of the Bonds and Shares*". Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if the Company is considered a PRC resident enterprise, dividends paid to non-resident enterprises holders of Shares may be treated as income derived from sources within China and be subject to the PRC withholding tax at a rate of 10%. In the case of non-resident individual holders of the Shares, the tax may be withheld at a rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Shares.

Taxation on Capital Gains

The EIT Law and its implementation regulations, impose a tax at the rate of 10% on capital gains realised by holders of the Shares that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if the Company is considered a PRC resident enterprise, the capital gains realised by holders of the Shares may be treated as income derived from sources within China and be subject to the PRC tax at a rate of 10% (or possibly 20% in the case of non-resident individual holders of the Shares). To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Shares.

Tax Arrangements and Treaties

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC tax authorities may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident beneficially owns at least 25% equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Investors who do not reside in the PRC and reside in jurisdictions that have entered into avoidance of double taxation treaties with the PRC may be entitled to a reduction of the tax imposed on payments to investors in the Company who do not reside in the PRC. The PRC currently has double-taxation treaties with many jurisdictions, which include but are not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside China).

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issuance or transfer of a Bond.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with the Sole Lead Manager dated January 7, 2021 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Company has conditionally agreed to issue to the Sole Lead Manager or as it may direct, and the Sole Lead Manager has conditionally agreed with the Company to subscribe and pay for the aggregate principal amount of U.S.$600,000,000 of the Bonds.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Sole Lead Manager and its ultimate beneficial owner is a third party independent of the Company and is not a connected person (as defined in the Listing Rules) of the Company.

To the best of the Directors' knowledge, information and belief, none of the initial placees (and their respective ultimate beneficial owners) is a connected person (as defined in the Listing Rules) of the Company.

The Company has undertaken with the Sole Lead Manager in the Subscription Agreement that neither the Company nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Sole Lead Manager between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive), except for (i) the Bonds and the Shares to be issued on conversion of the Bonds and (ii) any issue of Shares under the restricted share unit scheme as disclosed in the prospectus of the Issuer dated 31 May 2019.

The Subscription Agreement provides that the obligations of the Sole Lead Manager are subject to certain conditions precedent and entitles the Sole Lead Manager to terminate the Subscription Agreement in certain circumstances at any time prior to payment of the net subscription monies for the Bonds to the Company. The Company has agreed to indemnify the Sole Lead Manager against certain liabilities in connection with the offer and sale of the Bonds.

The Sole Lead Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Sole Lead Manager and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Company for which they have received, or will receive, fees and expenses.

The Sole Lead Manager and its affiliates may purchase Bonds for their own account (without a view to distributing such Bonds) and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any of the Company's other securities, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Sole Lead Manager and its affiliates. Such entities are not expected to disclose such

transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant portion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. The Company and the Sole Lead Manager are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Sole Lead Manager and its affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Company's securities and instruments, including the Bonds. Typically, the Sole Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Sole Lead Manager and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or the Company's other financial instruments, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Company or the Sole Lead Manager that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Company or the Sole Lead Manager, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or the Sole Lead Manager.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Sole Lead Manager or any affiliate of the Sole Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Lead Manager or such affiliate on behalf of the Company in such jurisdiction.

UNITED STATES

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

  (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

  (b) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

The Sole Lead Manager has represented, warranted and agreed that:

(i) (A) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (B) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Company;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

The Sole Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O;

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

The Sole Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, the Sole Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

The Sole Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

CAYMAN ISLANDS

The Sole Lead Manager has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any Bonds to the public or any member of the public in the Cayman Islands.

GENERAL INFORMATION

1. **Clearing Systems and Settlement.** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 228414433 and the International Securities Identification Number for the Bonds is XS2284144339.

2. **Legal Entity Identifier.** The Legal Entity Identifier (LEI) of the Company is 254900Q6MR00EBXTPF42.

3. **Authorizations**. The Company has obtained all necessary consents, approvals and authorizations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds and the right of conversion into Shares was authorized by the board of directors of the Company on October 16, 2020 and by a committee under the board of directors of the Company on January 7, 2021.

4. **No Material Adverse Change.** Except as disclosed in this Offering Circular, there has been no material adverse change, in the financial, trading position of the Group since June 30, 2020.

5. **Litigation.** From time to time, the Company and other members of the Group may be involved in litigation or other disputes that arise in the ordinary course of business. However, none of the Company or any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which the Group believes are material in the context of the Bonds, and the Company is not aware of any material litigation, disputes or arbitration proceedings that are currently pending or threatened.

6. **Listing of Shares.** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.

7. **Listing of Bonds.** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and listing of, and dealing in, the Bonds is expected to commence on January 25, 2021.

8. **Available Documents.** So long as any of the Bonds are outstanding, copies of the following documents will be available for inspection from the Closing Date at all reasonable times during usual business hours at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and, in the case of the last two documents mentioned below only, during normal business hours (being between 9:00 a.m. and 3:00 p.m. on a business day) at the principal office for the time being of the Trustee (being at the date of this Offering Circular, at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee:

   - the Articles of the Issuer;
   - copies of (i) the audited consolidated financial information of the Company as at and for the years ended December 31, 2017, 2018 and 2019 and (ii) the unaudited interim consolidated financial information of the Company for the six months ended June 30, 2020;
   - the Agency Agreement; and
   - the Trust Deed.

9. **Independent Auditors.** The Company's consolidated audited financial information as at and for the years ended December 31, 2017, 2018 and 2019, which are incorporated by reference in this Offering Circular, have been audited by Ernst & Young, the independent auditors of the Company. The independent auditors of the Company have agreed to the incorporation by reference in this Offering Circular herein of, and all references to, (i) their name and (ii) their audit reports on the consolidated financial information of the Company for the years ended December 31, 2017, 2018 and 2019.

ISSUER

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