HUTCHMED

HUTCHMED (CHINA) LIMITED

和黃醫藥(中國)有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 13

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners:

Morgan Stanley Jefferies CICC中金公司

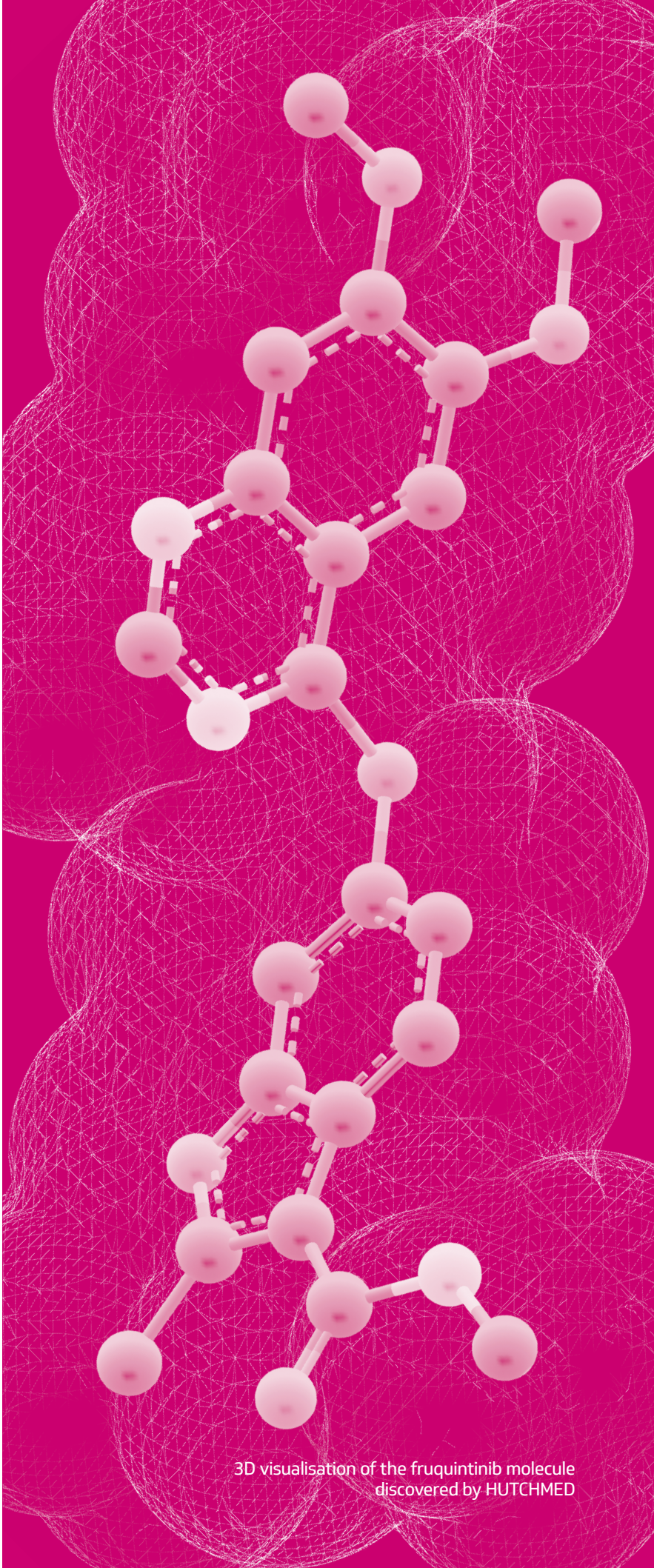
Joint Global Coordinators and Joint Bookrunners:

CREDIT SUISSE HSBC

Joint Bookrunners:

MACQUARIE Deutsche Bank BOC INTERNATIONAL

招銀国际 CMB INTERNATIONAL CMS 招商證券國際



3D visualisation of the fruquintinib molecule discovered by HUTCHMED

IMPORTANT

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

HUTCHMED (China) Limited
和黃醫藥（中國）有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**104,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**13,000,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**91,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$45.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.10 per Share**
Stock Code	**:**	**13**

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

Morgan Stanley Jefferies CICC 中金公司

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about Wednesday, June 23, 2021 and, in any event, not later than Tuesday, June 29, 2021. The Offer Price will not be more than HK$45.00 per Offer Share, unless otherwise announced.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "*Risk Factors*." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise at or prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "*Underwriting*."

The ADSs of the Company, each of which represents five Shares, are listed for trading on the Nasdaq under the symbol "HCM." The last reported sale price of the ADSs on the Nasdaq on June 15, 2021 was US$29.73 per ADS. In connection with the Global Offering, we have filed a registration statement on Form F-3ASR and a preliminary prospectus supplement and plan to file a final prospectus supplement with the SEC to register the sale of Shares under the U.S. Securities Act (other than Shares to be sold to the cornerstone investors named in this prospectus).

No prospectus for the purposes of the U.K. Financial Services and Markets Act 2000 (as amended) ("**FSMA**") and/or the Prospectus Regulation Rules made by the U.K. Financial Conduct Authority under Part VI of FSMA ("**Prospectus Rules**"), or admission document for the purposes of the AIM Rules, will be made available in connection with the matters contained in this prospectus and no such prospectus or admission document is required (in accordance with the Prospectus Rules or the AIM Rules, respectively) to be published. Accordingly, this prospectus has not been pre-approved by or filed with the U.K. Financial Conduct Authority pursuant to section 85 of FSMA. No offer of transferable securities to the public (for the purposes of section 102B of FSMA) is being made in connection with the Global Offering.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ATTENTION

The Company has adopted a fully electronic application process for the Hong Kong Public Offering. The Company will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.hutch-med.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

Friday, June 18, 2021

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

The Company has adopted a fully electronic application process for the Hong Kong Public Offering. The Company will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and the website of the Company at www.hutch-med.com. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

   (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet **System (https://ip.ccass.com)** or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, both at +852 2862 8646 on the following dates:

Friday, June 18, 2021 – 9:00 a.m. to 9:00 p.m.
Monday, June 21, 2021 – 9:00 a.m. to 9:00 p.m.
Tuesday, June 22, 2021 – 9:00 a.m. to 9:00 p.m.
Wednesday, June 23, 2021 – 9:00 a.m. to 12:00 noon

The Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to *"How to Apply for Hong Kong Offer Shares"* for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$
500	22,726.74	20,000	909,069.30	350,000	15,908,712.75
1,000	45,453.47	25,000	1,136,336.63	400,000	18,181,386.00
1,500	68,180.20	30,000	1,363,603.95	450,000	20,454,059.25
2,000	90,906.93	35,000	1,590,871.28	500,000	22,726,732.50
2,500	113,633.67	40,000	1,818,138.60	600,000	27,272,079.00
3,000	136,360.40	45,000	2,045,405.93	700,000	31,817,425.50
3,500	159,087.13	50,000	2,272,673.25	800,000	36,362,772.00
4,000	181,813.86	60,000	2,727,207.90	900,000	40,908,118.50
4,500	204,540.60	70,000	3,181,742.55	1,000,000	45,453,465.00
5,000	227,267.33	80,000	3,636,277.20	2,000,000	90,906,930.00
6,000	272,720.79	90,000	4,090,811.85	3,000,000	136,360,395.00
7,000	318,174.26	100,000	4,545,346.50	4,000,000	181,813,860.00
8,000	363,627.72	150,000	6,818,019.75	5,000,000	227,267,325.00
9,000	409,081.19	200,000	9,090,693.00	6,500,000(1)	295,447,522.50
10,000	454,534.65	250,000	11,363,366.25		
15,000	681,801.98	300,000	13,636,039.50		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences	9:00 a.m. on Friday, June 18, 2021
Latest time for completing electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, June 23, 2021
Application lists open[3]	11:45 a.m. on Wednesday, June 23, 2021
Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, June 23, 2021
Application lists close[3]	12:00 noon on Wednesday, June 23, 2021
Expected Price Determination Date	Wednesday, June 23, 2021
Announcement of the Offer Price	Wednesday, June 23, 2021
Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company at **www.hutch-med.com** on or before	Tuesday, June 29, 2021
Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in "*How to Apply for Hong Kong Offer Shares – Publication of Results*" from	Tuesday, June 29, 2021

Dispatch of Share certificates or deposit of Share certificates into CCASS and e-Refund payment instructions/refund cheques on or before[5][6] . . . . . Tuesday, June 29, 2021

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Wednesday, June 30, 2021

Notes:

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

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

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 23, 2021, the application lists will not open and close on that day. See "*How to Apply for Hong Kong Offer Shares*."

(4) If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

(5) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Wednesday, June 30, 2021, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the Maximum Offer Price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

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

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

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. Neither the Company nor any of the Relevant Persons has authorized anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by the Company or any of the Relevant Persons.

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CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a global commercial-stage biopharmaceutical company focused on the discovery, development and commercialization of targeted therapies and immunotherapies for the treatment of patients with cancer and immunological diseases. In addition to our Oncology/Immunology operations, we have built large-scale and profitable drug marketing and distribution capabilities through our Other Ventures operations, which primarily manufacture, market and distribute prescription drugs in China.

Founded in 2000, our Company was one of the first companies to establish an in-house drug discovery engine in China aimed at creating novel therapies for the global market, according to Frost & Sullivan. As these innovations have progressed, we have added extensive clinical and regulatory, manufacturing and commercial operations resulting in a fully-integrated biopharmaceutical company of over 1,300 personnel as of the Latest Practicable Date. This allows us to retain complete operational control of our assets, in order to realize their full economic value in our two focus markets of China and the United States, which represented nearly 60% of the global pharmaceutical market in 2020.

Over the past fifteen years, our in-house discovery engine has created a broad pipeline of ten clinical stage drug candidates with a further seven oncology and immunology drug candidates in preclinical testing. Our success in discovery has also led to development collaborations with leading global pharmaceutical companies such as AstraZeneca and Eli Lilly.

In 2018, we became the first ever biotech company to bring a novel oncology drug, fruquintinib for third-line mCRC patients, from discovery through to unconditional approval and launch in China. Since then, we have built an oncology commercial team of about 520 persons in China to market fruquintinib as well as our other products as they are approved. Our commercial team launched our second in-house discovered oncology drug, surufatinib for advanced non-pancreatic NET, in early 2021. Our third in-house discovered drug, savolitinib for lung cancer, is now undergoing final regulatory review with a potential launch in China as early as mid-2021. A further seven oncology drug candidates are in an earlier stage of development in China, with one having transitioned into a Phase II registration-intent study in April 2021 and one targeted to transition into a Phase II registration-intent study in 2021.

In the United States, our three lead assets are also entering final regulatory review or have started registration-intent studies, and a further three oncology drug candidates are in an earlier stage of development. Supporting all international clinical and regulatory activities is a rapidly expanding organization of about 80 personnel based primarily in New Jersey as of the Latest Practicable Date. We are also now building our own U.S. commercial team in preparation for a potential surufatinib U.S. launch in late 2021 or early 2022. If approved, surufatinib will become only the second ever novel oncology drug discovered by a biotech company in China to be launched in the United States, according to Frost & Sullivan.

Our portfolio of in-house discovered drug candidates are being developed both as monotherapies and in novel drug combinations to treat a wide spectrum of diseases which we believe may address unmet medical needs and represent commercial opportunities globally. Beyond our core markets of China and the United States, we intend to pursue opportunities for additional geographical partnerships to fully realize the value of our assets.

Our Other Ventures have provided us the know-how and infrastructure in operating and marketing pharmaceutical products in the complex and evolving healthcare system in China. Additionally, cash flow from our Other Ventures has provided an important source of funding for our Oncology/Immunology operations since our inception. See "*Recent Developments – Business Updates – Recent Disposal*" for details on the disposal of Hutchison Baiyunshan.

We started operations in 2000 as a wholly owned subsidiary of CK Hutchison. Our Shares have been admitted to trading on the AIM market of the London Stock Exchange since 2006, and our ADSs have been listed on Nasdaq since 2016.

Our operational achievements and capabilities to date include:

Broad pipeline of differentiated targeted therapies and immunotherapies built for the global market. We have a pipeline of differentiated drug candidates covering both novel and validated targets, including MET, VEGFR, FGFR, CSF-1R, PI3Kδ, Syk, IDH, ERK and EGFR. The aim of our research is to develop drugs with high selectivity and superior safety profiles, a key benefit of which is that our drug candidates have the potential to be effectively paired with other oncology and immunology therapies at effective dosages with fewer side effects.

Commercially launching products while continuing to discover new assets. In China, we have launched two of our internally developed drugs, fruquintinib (Elunate in China) and surufatinib (Sulanda in China), to patients, and we have filed for marketing authorization for savolitinib. All three drugs are in late-stage development outside of China, with the most advanced being surufatinib. In addition, we have seven additional drug candidates in earlier stage clinical development and several advanced preclinical drug candidates.

Comprehensive global in-house discovery and development capabilities. We have a comprehensive drug discovery and development operation covering chemistry, biology, pharmacology, toxicology, chemistry and manufacturing controls for clinical and commercial supply, clinical and regulatory and other functions. It is led by a team of approximately 680

scientists and staff as of the Latest Practicable Date, who have created one of the broadest global clinical pipelines among our peer oncology and immunology focused biotechnology companies according to Frost & Sullivan. Currently, we are conducting and planning over 40 different clinical studies in oncology patients globally, including plans for over ten registration and registration-intent studies underway by the end of 2021.

Fast expanding and productive international organization. Our U.S. and European teams of approximately 80 mainly clinical and regulatory staff as of the Latest Practicable Date have significantly broadened our international operations, particularly in the United States, Europe, Japan and Australia. Our international clinical team has established a productive track record since it was established in 2018, including the initiation and completion of a rolling U.S. NDA filing for surufatinib, a large global randomized controlled study for fruquintinib, and ongoing U.S. and European Phase I/II trials for our drug candidates HMPL-689, HMPL-523 and HMPL-306. We are now also building a commercial team in the United States, having completed the recruitment of a senior leadership team based in New Jersey, to support the potential upcoming launch of surufatinib in the United States.

Long-standing drug marketing and distribution experience to support the realization of in-house oncology innovations in China. Our 20-year track record and deep institutional knowledge of the drug marketing and distribution process developed through our Other Ventures are being leveraged to bring our in-house oncology innovations to patients. We have built and continue to expand our in-house oncology drug sales team of about 520 persons (compared to 90 at the end of 2019) to support the commercialization of recently launched Elunate and Sulanda and our other innovative drugs, if approved, throughout China. Our oncology drug sales team has the capability to cover over 2,500 oncology hospitals and over 20,000 oncology physicians in China, a network that we estimate represents over 90% of oncology drug sales in China.

Oncology Commercial Operations

Surufatinib – Sulanda in China

We received approval from the NMPA for Sulanda as a treatment for patients with advanced non-pancreatic NET in December 2020 and commercially launched it in mid-January 2021, within three weeks of approval. By the end of January 2021, Sulanda prescriptions had been written in 30 provinces in China. Further commercialization activities are underway. Most notably, we are working to improve patient access to Sulanda. We have implemented a broad-scale, need-based patient access program which could materially reduce patients' out-of-pocket costs, while aiming to have Sulanda be included on the 2022 NRDL. According to Frost & Sullivan, there were potentially over 300,000 patients living with NET in China in 2019.

Fruquintinib – Elunate in China

At the end of 2018, our collaboration partner Eli Lilly commenced commercial sales of Elunate targeting the more than 80,000 mCRC third-line patients in China each year. In January 2020, Elunate was included on China's NRDL and is therefore now available in public hospitals throughout China, paving the way to significantly broaden access for advanced CRC patients and rapidly build penetration in China over the coming years. In October 2020, we took over the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing responsibilities in China through an amendment to our collaboration terms with Eli Lilly. Since taking on these commercial responsibilities, we have deployed our oncology drug sales to market Elunate. We are now quickly expanding hospital pharmacy listings, one of the most important factors affecting broad-scale adoption of Elunate in China. We increased hospital listings to approximately 380, an approximately 95% increase since our assumption of responsibility.

Driven in part by the inclusion of Elunate on the 2020 NRDL and our assumption of responsibility for detailing, promoting and marketing the drug in China in October 2020, total in-market sales of Elunate by Eli Lilly, as provided to us by Eli Lilly, increased by 91.5% to US$33.7 million for the year ended December 31, 2020 compared to US$17.6 million for the year ended December 31, 2019. Total in-market sales of Elunate also increased significantly for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, which was prior to our assumption of commercial responsibilities as discussed below under "– *Recent Developments – Summary of First Quarter 2021 Highlights*". We recognize revenue for royalties and manufacturing costs and, since October 1, 2020, additional service payments in association with our expanded role in the commercialization of Elunate paid to us by Eli Lilly. Subject to meeting pre-agreed sales targets, Eli Lilly will pay us an estimated total of 70% to 80% of Elunate sales in the form of royalties, manufacturing costs and service payments.

Savolitinib – to be marketed by AstraZeneca, if approved, in China

We have submitted an NDA to the NMPA for the treatment of patients with MET exon 14 skipping alteration NSCLC. The NDA was accepted in May 2020, priority review status was granted in July 2020 and review is underway. If the NDA is approved, we will be responsible for manufacturing and all other marketing authorization holder responsibilities, and our commercial collaboration partner AstraZeneca is expected to launch savolitinib in China through the same large-scale oncology commercial organization that markets Tagrisso, Imfinzi and Iressa, among others. In return for these commercial rights, AstraZeneca will pay us a 30% royalty on all sales, various development and commercial milestones and manufacturing fees. Additional potential indications are being developed for each of surufatinib, fruquintinib and savolitinib, as described below.

International Clinical Drug Development (Outside China)

Our fast expanding international organization, led mainly from the United States, is developing six oncology drug candidates, all of which are small molecule. The following table summarizes the status of our international clinical drug portfolio's development as of the Latest Practicable Date:

Our International Clinical Development Pipeline

Program	Treatment	Indication	Target patient	Study name	Sites	Phase	Dose finding/ safety run-in	Proof-of-concept	Registration
Savolitinib MET	**Savolitinib** + Tagrisso	NSCLC	2L/3L EGFRm; Tagrisso ref.; MET+	SAVANNAH	Global	II (Reg)	*		
	Savolitinib + Imfinzi (PD-L1)	Papillary RCC	MET+	SAMETA	Global	III	**		
	Savolitinib + Imfinzi (PD-L1)	Papillary RCC	All	CALYPSO	UK/Spain	II	***		
	Savolitinib + Imfinzi (PD-L1)	Clear cell RCC	VEGFR TKI refractory	CALYPSO	UK/Spain	II	***		
	Savolitinib	Gastric cancer	MET+	VIKTORY	S Korea	Ib/II	***		
	Savolitinib	Colorectal cancer	MET+		US	II	***		
Surufatinib VEGFR 1/2/3; FGFR1; CSF-1R	**Surufatinib**	NET	Refractory		US	Ib (NDA)			**NDA Submitted**
	Surufatinib	NET	Refractory		EU	Ib (MAA)			**MAA Planned**
	Surufatinib	Biliary tract cancer			US	Ib			
	Surufatinib	Soft tissue sarcoma			US	Ib			
	Suru. + tislelizumab (PD-1)	Solid tumors			US/EU	Ib/II			
Fruquintinib VEGFR 1/2/3	**Fruquintinib**	Colorectal cancer	Refractory	FRESCO-2	US/EU/JP	III			
	Fruquintinib	Breast cancer			US	Ib			
	Fruq. + tislelizumab (PD-1)	TN breast cancer			US	Ib/II	**		
	Fruq. + tislelizumab (PD-1)	Solid tumors			TBD	Ib/II	**		
HMPL-689 PI3Kδ	**HMPL-689**	****			Australia	I			
	HMPL-689	Indolent NHL			US/EU	I/Ib			
HMPL-523 Syk	**HMPL-523**	Indolent NHL			Australia	Ib			
	HMPL-523	Indolent NHL			US/EU	I/Ib			
HMPL-306 IDH 1/2	**HMPL-306**	Solid tumors			US/EU	I			
	HMPL-306	Hem. malignancies			US/EU	I			

** Phase II registration-intent study subject to regulatory discussion; ** In planning; *** Investigator-initiated trials (IIT); and **** Conducted in healthy volunteers. (Reg) = Registration Intent; (NDA) = NDA submitted for review; (MAA) = MAA submission planned; and (Mkt) = NDA approved and product is on the market.*

Notes: MET = mesenchymal epithelial transition receptor; VEGFR = vascular endothelial growth factor receptor; TKI = tyrosine kinase inhibitor; EGFRm = epidermal growth factor receptor mutation; NET = neuroendocrine tumors; FGFR1 = fibroblast growth factor receptor 1; CSF-1R = colony stimulating factor-1 receptor; PI3Kδ = Phosphatidylinositol-3-Kinase delta; Syk = spleen tyrosine kinase; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; NHL = non-Hodgkin's Lymphoma; TN = triple negative; and IDH 1/2 = isocitrate dehydrogenase 1/2.

Savolitinib – selective MET inhibitor in late-stage clinical development as a monotherapy and in combination therapies in global partnership with AstraZeneca

Savolitinib is a potent and selective inhibitor of the MET receptor tyrosine kinase, an enzyme which has been shown to function abnormally in many types of solid tumors. We designed savolitinib through chemical structure modification to specifically address kidney toxicity, the primary issue that halted development of several other selective MET inhibitors. In clinical trials to date in over 1,100 patients globally, savolitinib has shown promising signs of clinical efficacy in patients with multiple types of MET gene alterations in lung cancer, kidney cancer and gastric cancer with an acceptable safety profile.

We are currently testing savolitinib in global partnership with AstraZeneca, both as a monotherapy and in combination with immunotherapy and targeted therapy. Most notably, we are currently progressing the SAVANNAH study on savolitinib in combination with Tagrisso for treating EGFRm+, NSCLC patients who have progressed following first or second-line Tagrisso therapy due to MET amplification, with planning for the global Phase III study now underway.

Proof-of-concept studies of savolitinib in kidney cancer (as a monotherapy as well as in combination with a PD-L1 inhibitor) and gastric cancer (as a monotherapy as well as in combinations with chemotherapy) have demonstrated positive results, with subsequent clinical development in planning. For example, we are initiating a global Phase III pivotal trial (SAMETA) for savolitinib in combination with Imfinzi, AstraZeneca's anti-PD-L1 antibody durvalumab, in MET positive patients with PRCC, a form of kidney cancer. Savolitinib opportunities are also continuing to be explored in multiple other MET-driven tumor settings via investigator-initiated studies including CRC.

Surufatinib – unique angio-immuno kinase inhibitor with NDA submission completed in the United States; potential first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs

Surufatinib, which has been approved in China for the treatment of advanced non-pancreatic NETs, is a novel, oral angio-immuno kinase inhibitor that selectively inhibits the tyrosine kinase activity associated with VEGFR and FGFR, which both inhibit angiogenesis, and CSF-1R, which regulates tumor-associated macrophages, promoting the body's immune response against tumor cells. Its unique dual mechanism of action may be very suitable for possible combinations with other immunotherapies. We believe surufatinib is potentially the first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs.

In the United States, the FDA granted orphan drug designation to surufatinib for the treatment of pancreatic NETs in November 2019 and granted Fast Track Designations for the treatment of both pancreatic NETs and non-pancreatic NETs in April 2020. In May 2020, we reached an agreement with the FDA that the completed SANET-ep and SANET-p studies in China, along with existing data from surufatinib in U.S. non-pancreatic and pancreatic NET patients, could form the basis to support an NDA submission.

We completed a U.S. NDA submission in April 2021 for surufatinib for the treatment of pancreatic and non-pancreatic NETs. This is our first NDA in the United States. Filing acceptance of the NDA is subject to FDA review of the complete application. The data package will also be used to file an MAA to the EMA, based on scientific advice from the CHMP.

We have various additional clinical trials of surufatinib ongoing as a single agent, as well as in combination with checkpoint inhibitors, including a combination study of surufatinib with tislelizumab, an anti-PD-1 antibody being developed by BeiGene, in the United States and Europe. In addition, we believe surufatinib has potential in a number of other tumor types such as NETs, CRC, small cell lung cancer, gastric cancer and soft tissue sarcoma.

Surufatinib is the first oncology medicine that we have launched in China and expanded development globally without the support of a development partner. We own all rights to surufatinib globally.

Fruquintinib – potential selective VEGFR 1, 2 and 3 inhibitor with the best selectivity for its targets in global Phase III development

Fruquintinib, which has been approved in China for the treatment of advanced mCRC, is a highly selective and potent oral inhibitor of vascular endothelial growth factor receptors, known as VEGFR 1, 2 and 3. We believe that fruquintinib has the potential to become a global small molecule VEGFR 1, 2 and 3 inhibitor with the best selectivity for many types of solid tumors on the basis of it having the highest selectivity, and we are currently studying fruquintinib in CRC, gastric cancer, breast cancer and other solid tumor types. Fruquintinib was designed to improve kinase selectivity to minimize off-target toxicities, improve tolerability and provide more consistent target coverage. The tolerability in patients to date, along with fruquintinib's low potential for drug-drug interaction based on preclinical assessment, suggests that it may be highly suitable for combinations with other anti-cancer therapies.

Building on the data collected from our successful Phase III trial in China, known as the FRESCO study, which supported fruquintinib's approval in China, we initiated FRESCO-2, a large randomized controlled study of fruquintinib at approximately 165 sites in 14 countries. The FDA granted Fast Track Designation for the development of fruquintinib for the treatment of patients with mCRC in June 2020. The FDA has acknowledged the totality of the fruquintinib clinical data, including the FRESCO-2 study, if positive, the prior positive Phase III FRESCO study demonstrating improvement in OS that led to fruquintinib approval for mCRC in China in 2018 and additional completed and ongoing supporting studies in mCRC, could support a future NDA for the treatment of patients with third-line and above mCRC. The EMA and PMDA have reviewed and endorsed the FRESCO-2 study design. Preliminary data of U.S. Phase I/Ib CRC cohorts demonstrated encouraging efficacy in patients refractory or intolerant to Stivarga and Lonsurf.

We are planning global combination studies of fruquintinib with BeiGene's anti-PD-1 antibody tislelizumab for the treatment of various solid tumor cancers, including a Phase Ib/II study in advanced, refractory triple negative breast cancer. We own all rights to fruquintinib outside of China.

HMPL-689 – selective PI3Kδ inhibitor with the best selectivity with potential in hematological cancer

HMPL-689 is a novel, highly selective and potent small molecule inhibitor targeting the isoform PI3Kδ. In preclinical pharmacokinetic studies, HMPL-689's pharmacokinetic properties have been found to be favorable with good oral absorption, moderate tissue distribution and low clearance. HMPL-689 is also expected to have low risk of drug accumulation and drug-drug interaction and is highly potent, particularly at the whole blood level.

We have early-stage clinical trials of HMPL-689 ongoing, and preliminary evidence suggests that HMPL-689 may perform in the clinic as designed. Based on extensive Phase I/Ib proof-of-concept clinical data in China and Australia on HMPL-689, we have opened 18 U.S. and European sites for a Phase I/Ib study with patient enrollment underway, focusing on advanced relapsed or refractory lymphoma. In the second half of 2021, we plan to complete FDA regulatory discussions, followed by the initiation of registration-intent studies. We own all rights to HMPL-689 globally.

HMPL-523 – potentially the first selective Syk inhibitor for hematological cancer

HMPL-523 is a novel, highly selective, oral inhibitor targeting the Syk for the treatment of hematological cancers and certain chronic immune diseases. Syk is a major component in B-cell receptor signaling and is an established therapeutic target in multiple subtypes of B-cell lymphomas. Because B-cell malignancies are heterogeneous and patients commonly experience relapse despite current therapies, there is a need for new therapies.

We have various clinical trials of HMPL-523 ongoing. We have 22 U.S. and European sites for a Phase I/Ib study with patient enrollment underway, focusing on advanced relapsed or refractory lymphoma and are close to establishing our Phase II dose. We own all rights to HMPL-523 globally.

HMPL-306 – potentially the first dual inhibitor of IDH1 and IDH2 with applications in hematological malignancies, gliomas and solid tumors

HMPL-306 is a novel small molecule dual-inhibitor of isocitrate dehydrogenase 1 and 2, or IDH1 and IDH2, enzymes. IDH1 and IDH2 mutations have been implicated as drivers of certain hematological malignancies, gliomas and solid tumors, particularly among acute myeloid leukemia patients. We initiated an international Phase I study with the first patient dosed in the United States in March 2021. We own all rights to HMPL-306 globally.

China Clinical Drug Development

We are the marketing authorization holder of two internally discovered and developed innovative oncology medicines (Elunate and Sulanda) and may have a third drug (savolitinib), potentially the first selective MET inhibitor in China, if the NDA currently under review is approved. We have seven additional drug candidates in earlier stage clinical development and several advanced preclinical drug candidates. All of our pipeline candidates and marketed drugs are small molecule. All of our pipeline candidates are classified as Class 1 by the NMPA. Drugs for which an NDA has been submitted (fruquintinib, surufatinib and savolitinib) have been classified as Class 1.

The following table summarizes the status of our China clinical programs as of the Latest Practicable Date:

Our China Clinical Development Pipeline

Program	Treatment	Indication	Target patient	Study name	Phase	Dose finding/ safety run-in	Proof-of-concept	Registration
Savolitinib MET	**Savolitinib**	NSCLC	MET exon 14 skipping		II (NDA)			NDA Accepted
	Savolitinib + Tagrisso	NSCLC	2L EGFR TKI ref. NSCLC; MET+	SACHI	III	*		
	Savolitinib + Tagrisso	NSCLC	Naïve MET+ & EGFRm NSCLC	SANOVO	III	*		
	Savolitinib	Gastric cancer	2L; MET+		II (Reg)	*		
Surufatinib VEGFR 1/2/3; FGFR1; CSF-1R	**Surufatinib**	Pancreatic NET	All	SANET-p	NDA			NDA Accepted
	Surufatinib	Non-Pancreatic NET	All	SANET-ep	III (Mkt)			Marketed
	Surufatinib	Biliary tract cancer	2L; chemotherapy refractory		IIb/III			
	Surufatinib + Tuoyi (PD-1)	NEN, ESCC, BTC			II			
	Surufatinib + Tuoyi (PD-1)	SCLC, GC, Sarcoma			II			
	Surufatinib + Tuoyi (PD-1)	TC, EMC, NSCLC			II			
	Surufatinib + Tyvyt (PD-1)	Solid tumors			I			
Fruquintinib VEGFR 1/2/3	**Fruquintinib**	Colorectal cancer	≥3L; chemotherapy refractory	FRESCO	III (Mkt)			Marketed
	Fruquintinib + Taxol	Gastric cancer	2L	FRUTIGA	III			
	Fruquintinib + Tyvyt (PD-1)	CRC, EMC, RCC, HCC			Ib/II			
	Fruquintinib + Tyvyt (PD-1)	GI tumors			Ib/II			
	Fruq. + geptanolimab (PD-1)	CRC			Ib			
	Fruq. + geptanolimab (PD-1)	NSCLC			Ib			
HMPL-689 PI3Kδ	**HMPL-689**	FL, MZL			II (Reg)			
	HMPL-689	MCL, DLBCL			Ib			
	HMPL-689	CLL/SLL, HL			Ib			
HMPL-523 Syk	**HMPL-523**	B-cell malignancies	All		I/Ib			
	HMPL-523	ITP	All		I/Ib			
HMPL-453 FGFR 1/2/3	**HMPL-453**	IHCC			II			
HMPL-306 IDH 1/2	**HMPL-306**	Hem. malignancies			I			
HMPL-295 (ERK, MAPK pathway)	**HMPL-295**	Solid tumors			I	*		
Epitinib EGFR	**Epitinib**	Glioblastoma	EGFR gene amplified		Ib/II			
Theliatinib EGFR wt	**Theliatinib**	Esophageal cancer	EGFR over-expression			**		

** In planning. ** Discontinued. (Reg) = Registration Intent; (NDA) = NDA submitted for review; (MAA) = MAA submission planned; and (Mkt) = NDA approved and product is on the market.*

Notes: MET = mesenchymal epithelial transition receptor; VEGFR = vascular endothelial growth factor receptor; TKI = tyrosine kinase inhibitor; EGFRm = epidermal growth factor receptor mutation; FGFR1 = fibroblast growth factor receptor 1; CSF-1R = colony stimulating factor-1 receptor; NET = neuroendocrine tumors; NEN = neuroendocrine neoplasms; ESCC = esophageal squamous-cell carcinoma; BTC = biliary tract cancer; SCLC = small cell lung cancer; GC = gastric cancer; TC = thyroid cancer; EMC = endometrial cancer; CRC = colorectal cancer; HCC = hepatocellular carcinoma; GI = gastrointestinal; PI3Kδ = Phosphatidylinositol-3-Kinase delta; Syk = spleen tyrosine kinase; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; NHL = Non-Hodgkin's Lymphoma; FL = follicular lymphoma; MZL = marginal zone lymphoma; MCL = mantle cell lymphoma; DLBCL = diffuse large B cell lymphoma; CLL/SLL = chronic lymphocytic leukemia/small lymphocytic lymphoma; HL = Hodgkin's lymphoma; ITP = immune thrombocytopenic purpura; IHCC = Intrahepatic cholangiocarcinoma; IDH 1/2 = isocitrate dehydrogenase 1/2; ERK = extracellular-signal-regulated kinase; and MAPK = RAS-RAF-MEK-ERK signaling cascade.

Savolitinib – NDA filed for potentially the first selective MET inhibitor in China

In May 2020, an NDA for savolitinib for the treatment of NSCLC with MET exon 14 skipping alterations was accepted for review by the NMPA, supported by a Phase II registration study, and the NMPA subsequently granted it priority review status. This is the first NDA filing for savolitinib globally and first for a selective MET inhibitor in China.

We intend to initiate several studies in China in 2021, including two further pivotal Phase III studies in combination with Tagrisso in NSCLC patients in the second half of 2021 (SACHI and SANOVO) and a potential registrational Phase II study in metastatic gastric cancer in mid-2021.

Surufatinib – commercially launched as Sulanda in China in non-pancreatic NETs in January 2021; first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs (if also approved for advanced pancreatic NETs)

Surufatinib was approved by the NMPA in December 2020 for the treatment of non-pancreatic NETs and is now being marketed by us in China under the brand name Sulanda. Our in-house oncology drug sales team is now responsible for the marketing and commercialization of surufatinib throughout China for this indication.

We have submitted a second NDA in China for surufatinib in advanced pancreatic NETs supported by our SANET-p study, a Phase III trial in patients with advanced pancreatic NETs conducted in China. The NDA was accepted in September 2020, and review is underway. If approved, we believe surufatinib would be the only approved targeted therapy able to address and treat all subtypes of NETs.

We have commenced combination studies of surufatinib with Tuoyi, a PD-1 monoclonal antibody being developed by Junshi in China, where we are currently conducting Phase II studies in nine solid tumor indications, including NENs, BTC, gastric cancer, thyroid cancer, small cell lung cancer, soft tissue sarcoma, endometrial cancer, esophageal cancer and NSCLC. During ASCO 2021, encouraging preliminary Phase I/Ib results were presented for surufatinib in combination with Tuoyi in neuroendocrine carcinoma and gastric cancer. In addition, we have expanded our collaboration with Innovent and, in July 2020, started a Phase I study in China to evaluate the safety and efficacy of Tyvyt in combination with surufatinib.

Fruquintinib – commercially launched as Elunate in China in CRC in November 2018; VEGFR 1, 2 and 3 inhibitor with the best selectivity for many solid tumors

Fruquintinib was first commercially launched in China in November 2018 for the treatment of advanced CRC. We also believe that fruquintinib could be considered for development in China in many solid tumor indications in which VEGFR inhibitors have been approved globally. To this end, since 2018, we have assumed all planning, execution and decision-making responsibilities for life cycle indication development of fruquintinib in China.

In addition to its commercial launch in CRC in China, we have made progress with fruquintinib in various other cancer indications, including the FRUTIGA study in China, a pivotal Phase III study in approximately 700 patients to evaluate the efficacy and safety of fruquintinib in combination with Taxol, a chemotherapy medication, compared with Taxol monotherapy for second-line treatment of advanced gastric cancer in patients who had failed first-line chemotherapy.

We are conducting Phase Ib/II dose expansion studies in China of fruquintinib with Tyvyt, a PD-1 monoclonal antibody being developed by Innovent, in different tumor types, including HCC, endometrial cancer, RCC and CRC. Furthermore, we intend to conduct studies of fruquintinib in combination with BeiGene's tislelizumab for the treatment of various solid tumor cancers in China. During ASCO 2021, encouraging preliminary Phase I/Ib results were presented for fruquintinib in combination with two different PD-1 inhibitors: Tyvyt and geptanolimab.

HMPL-689 – PI3Kδ inhibitor with the best selectivity with potential in hematological cancer

Our Phase I dose escalation study on HMPL-689 in China has been completed, and a recommended Phase II dose was selected. HMPL-689 was well tolerated, exhibiting dose-proportional pharmacokinetics, a manageable toxicity profile and single-agent clinical activity in relapsed/refractory B-cell lymphoma patients. Our Phase Ib expansion study in China is ongoing in multiple sub-categories of indolent non-Hodgkin's lymphoma. In April 2021, we commenced a registration-intent Phase II trial of HMPL-689, a highly selective and potent PI3Kδ inhibitor, in China in patients with relapsed or refractory follicular lymphoma and marginal zone lymphoma, two subtypes of non-Hodgkin's lymphoma.

HMPL-523 – potentially the first Syk inhibitor for hematological cancer

Data from an extensive Phase I/Ib dose escalation and expansion study (covering more than 200 patients) on HMPL-523 has encouraged us to initiate exploratory studies in China on multiple indolent non-Hodgkin's lymphoma sub-categories, including chronic lymphocytic leukemia/small lymphocytic lymphoma, follicular lymphoma, marginal zone lymphoma, Waldenstrom's macroglobulinemia and mantle cell lymphoma.

Furthermore, in August 2019 we commenced a Phase I study of HMPL-523 in China for the treatment of immune thrombocytopenia, an autoimmune disorder characterized by low platelet count and an increased bleeding risk. Dose escalation is near completion with planning and preparation for a Phase III trial in China now underway.

HMPL-453 – highly selective FGFR 1/2/3 inhibitor with potential in solid tumors

HMPL-453 is a highly selective and potent FGFR 1/2/3 inhibitor. Aberrant FGFR signaling is associated with tumor growth, promotion of angiogenesis, as well as resistance to anti-tumor therapies. A Phase II study is ongoing in patients with advanced IHCC with FGFR2 fusion that had failed at least one line of systemic therapy. IHCC is a cancer that develops within the bile ducts, the second most common primary hepatic malignancy after hepatocellular carcinoma. Approximately 10-15% of IHCC patients have tumors that harbor FGFR2 fusion.

HMPL-306 – potentially the first dual inhibitor of IDH1 and IDH2 with applications in hematological malignancies, gliomas and solid tumors

A Phase I trial in China was initiated in July 2020 in patients of relapsed or refractory hematological malignancies with an IDH1 and/or IDH2 mutation. Multiple sites have been initiated, and we aim to establish the Phase II dose in 2021.

HMPL-295 – an investigative and highly selective small molecule inhibitor of ERK in the MAPK pathway with the potential to address intrinsic or acquired resistance from upstream mechanisms such as RAS-RAF-MEK

HMPL-295, a novel ERK inhibitor, is our tenth in-house discovered small molecule oncology drug candidate. ERK is a downstream component of the RAS-RAF-MEK-ERK signaling cascade (MAPK pathway). This is our first of multiple candidates in discovery targeting the MAPK pathway. We own all rights to HMPL-295 globally.

Epitinib – clinical-stage EGFR inhibitor

We have completed Phase I/Ib studies of epitinib, an EGFR inhibitor with demonstrated ability to penetrate the blood-brain barrier. We are evaluating further development strategies for epitinib.

Discovery Research & Preclinical Development

We strive to create differentiated novel oncology and immunology treatments with global potential. Our core research and development philosophy is to take a holistic approach to the treatment of cancer and immunological diseases, through multiple modalities and mechanisms, including targeted therapies, immunotherapies and other pathways which address aberrant genetic drivers and cancer cell metabolism, modulate tumor immune microenvironment and target immune cell checkpoints. Beyond our clinical and preclinical stage candidates, we continue to conduct research into discovering new types of drug candidates, including among others, small molecules addressing cancer-related apoptosis, cell signaling, epigenetics and protein translation; biologic drug candidates including bispecific antibodies; and novel technologies including antibody-drug conjugates and heterobifunctional small molecules. We expect to incur significant expenses, particularly research and development expenses, for the foreseeable future as we expand our development of, and seek, regulatory approvals for, our drug candidates. See "*Business – Discovery Research & Preclinical Development*" for additional information.

We file patent applications directed to our Oncology/Immunology drugs and drug candidates in an effort to establish intellectual property positions with regard to various aspects of such drugs including new small molecule compounds, their compositions as well as their medical uses in the treatment of diseases. See "*Business – Patents and Other Intellectual Property – Patents*" for additional information.

Manufacturing

Our manufacturing site in Suzhou is a GMP-certified production facility, providing supplies of our drug candidates for clinical trials and Elunate and Sulanda for commercial sale. At the end of 2020, we commenced construction of a large-scale manufacturing plant for innovative drugs in Shanghai, which will be our largest manufacturing facility.

Impact of COVID-19

COVID-19 has not materially impacted our clinical studies, although certain studies have encountered some limitations to patient visits for screening, treatment and clinical assessment. In addition, our prescription drug sales teams experienced some short-term limitations on conducting normal operations, but such teams were able to adapt to the changing circumstances relatively quickly to minimize the effect across our businesses. Although, as of the Latest Practicable Date, we do not expect any material impact on our long-term activity resulting from COVID-19, we cannot guarantee that the COVID-19 pandemic will not further escalate or have a material adverse effect on our business, financial condition and results of operations and cash flows. See "*Risk Factors – Other Risks and Risks Relating to Doing Business in China – The COVID-19 pandemic and other adverse public health developments could materially and adversely affect our business*."

Other Ventures

In addition to our Oncology/Immunology operations, our Other Ventures include large-scale drug marketing and distribution platforms covering about 320 cities and towns in China with approximately 4,800 manufacturing and commercial personnel as of December 31, 2020. Built over the past 20 years, it primarily focuses on prescription drug and consumer health products mainly through: (i) Shanghai Hutchison Pharmaceuticals, a non-consolidated joint venture with a commercial team of about 2,200 staff managing the medical detailing and marketing of a range of own-brand prescription drug products; (ii) Hutchison Sinopharm, a consolidated joint venture focused on providing commercial services for our own marketed drugs, as well as marketing third-party prescription drug products and our science-based infant nutrition products; and (iii) Hutchison Baiyunshan, a non-consolidated joint venture focused on the manufacturing, marketing and distribution of primarily own-brand over-the-counter drugs. See "*Recent Developments – Recent Disposal*" for more information on Hutchison Baiyunshan.

Net income attributable to our Company from our Other Ventures totaled US$41.4 million, US$41.5 million and US$72.8 million for the years ended December 31, 2018, 2019 and 2020, respectively, and are remitted to our Group through dividend payments primarily from our non-consolidated joint ventures mentioned above. In 2020, dividends of US$86.7 million were paid from these joint ventures to our Group, with aggregate dividends received since inception of over US$300 million.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

- Fully-integrated biopharmaceutical company with capability to support development and launch of our products in our core markets
- Three in-house discovered, commercial stage, oncology drugs with significant commercial potential in surufatinib, fruquintinib and savolitinib
- Globally-facing research and development approach to discovering and developing next-generation therapies for the treatment of cancer and immunological diseases
- Successful track record of drug marketing and distribution execution
- Global partnerships and strategic collaborations, with a growing portfolio of unpartnered drug candidates over which we own all global rights
- Experienced and stable management team with proven track record in drug discovery, development and commercialization

OUR STRATEGIES

Our vision is to be a global leader in the discovery, development and commercialization of targeted therapies and immunotherapies for the treatment of patients with cancer and immunological diseases. Key elements of our strategy are to:

- Realize the global potential of our oncology drug candidates
- Continue designing and creating molecules to develop into medicines with specific and differentiated characteristics for the benefit of patients
- Build and scale our marketing and commercialization capabilities globally
- Identify global business development and strategic acquisition opportunities to complement our internal research and development activities
- Capitalize on regulatory reforms currently underway in China aimed at addressing existing major unmet medical needs and improving the health of its people

OUR SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, CK Hutchison, through CKHGI, HWCL and HHHL, was interested in approximately 44.66% of our Shares in issue. Immediately following the completion of the Global Offering, CK Hutchison will continue to be indirectly interested in approximately 39.19% of our Shares in issue (assuming the Over-allotment Option is not exercised) or approximately 38.48% of our Shares in issue (assuming the Over-allotment Option is exercised in full). Accordingly, each of CK Hutchison, CKHGI, HWCL and HHHL will remain as a Controlling Shareholder immediately following the completion of the Global Offering. See "*Substantial Shareholders*" for more information about our substantial shareholders.

OUR CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with five cornerstone investors, namely, The Carlyle Group Inc., Canada Pension Plan Investment Board, General Atlantic, HBM Healthcare Investments and CICC Grandeur Fund, who have agreed to subscribe for Offer Shares with an aggregate subscription price of approximately HK$2,535 million as part of the International Offering. Assuming an Offer Price of HK$45.00, being the Maximum Offer Price, these Cornerstone Investors have agreed to subscribe for an aggregate of 56,333,000 Offer Shares, representing approximately 54.17% (assuming the Over-allotment Option is not exercised) and 47.10% (assuming the Over-allotment Option is exercised in full) of the total number of Offer Shares. See *"Cornerstone Investors*" for more information about our Cornerstone Investors.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period prepared in accordance with U.S. GAAP, extracted from the Accountant's Report set out in Appendix I. The summary financial data set forth below should be read together with our consolidated financial statements and the related notes, as well as "*Financial Information*." Our consolidated financial information prepared in accordance with U.S. GAAP differs in certain respects from IFRS. Please see "*Financial Information*" for the reconciliation of our financial information prepared in accordance with U.S. GAAP and IFRS.

Summary Consolidated Statements of Operations Data

	Year Ended December 31,		
	2018	2019	2020
		US$'000	
Total revenues	214,109	204,890	227,976
Total operating expenses	(306,750)	(351,276)	(424,644)
	(92,641)	(146,386)	(196,668)
Total other income, net	5,986	5,281	6,934
Loss before income taxes and equity in earnings of equity investees	(86,655)	(141,105)	(189,734)
Income tax expense	(3,964)	(3,274)	(4,829)
Equity in earnings of equity investees, net of tax	19,333	40,700	79,046
Net loss	(71,286)	(103,679)	(115,517)
Less: Net income attributable to non-controlling interests	(3,519)	(2,345)	(10,213)
Net loss attributable to our Company	(74,805)	(106,024)	(125,730)
Losses per share attributable to our Company—basic and diluted (US$ per share)	(0.11)	(0.16)	(0.18)

Summary Consolidated Balance Sheet Data

	December 31,		
	2018	2019	2020
		US$'000	
Cash and cash equivalents	86,036	121,157	235,630
Short-term investments	214,915	96,011	199,546
Total assets	532,118	465,122	724,118
Total current liabilities	85,479	113,101	158,397
Total non-current liabilities	34,384	39,118	46,772
Net current assets	285,062	203,921	372,343
Total Company's shareholders' equity	388,996	288,012	484,116
Non-controlling interests	23,259	24,891	34,833
Total shareholders' equity	412,255	312,903	518,949

Summary Consolidated Cash Flow Data

	Year Ended December 31,		
	2018	2019	2020
		US$'000	
Operating cash flows before changes in working capital	(40,010)	(97,017)	(91,339)
Changes in working capital	7,163	16,105	29,273
Net cash used in operating activities	(32,847)	(80,912)	(62,066)
Net cash generated from/(used in) investing activities	43,752	119,028	(125,441)
Net cash (used in)/generated from financing activities	(8,231)	(1,493)	296,434
Net increase in cash and cash equivalents	2,674	36,623	108,927
Effect of exchange rate changes	(1,903)	(1,502)	5,546
Cash and cash equivalents at beginning of the year	85,265	86,036	121,157
Cash and cash equivalents at end of the year	86,036	121,157	235,630

Summary of Our Financial Results as of and for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2019 and the Year Ended December 31, 2020

Revenue from Oncology/Immunology decreased from US$41.2 million for the year ended December 31, 2018 to US$26.8 million for the year ended December 31, 2019, primarily due to the fact that the prior period included the milestone payment of US$13.5 million that we received from Eli Lilly following the approval in September 2018 of Elunate in China for the treatment of mCRC. Revenue from Oncology/Immunology subsequently increased to US$30.2 million for the year ended December 31, 2020, primarily due to an increase in revenue related to the sale of Elunate. Net loss attributable to our Company from Oncology/Immunology increased from US$102.4 million for the year ended December 31, 2018 to US$127.4 million for the year ended December 31, 2019 and to US$175.5 million for the year ended December 31, 2020, primarily driven by increased research and development expenses associated with our expanding clinical trial activities.

Revenue from our Other Ventures increased from US$172.9 million for the year ended December 31, 2018 to US$178.1 million for the year ended December 31, 2019 and to US$197.8 million for the year ended December 31, 2020, primarily due to an increase in revenue from our prescription drug products. Our Other Ventures has historically derived a significant portion of its net income from our equity in earnings of equity investees, which totaled US$38.3 million, US$40.6 million and US$79.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. Equity in earnings of Hutchison Baiyunshan for the year ended December 31, 2020 included a one-time gain of US$36.0 million from land compensation for a return of land use rights to the Guangzhou government. Net income attributable to our Company generated from our Other Ventures was US$41.4 million, US$41.5 million and US$72.8 million for the years ended December 31, 2018, 2019 and 2020, respectively.

Net loss attributable to our Company increased from US$74.8 million for the year ended December 31, 2018 to US$106.0 million for the year ended December 31, 2019 and to US$125.7 million for the year ended December 31, 2020. The increase in net losses is primarily due to an increase in research and development expenses, which were US$114.2 million, US$138.2 million and US$174.8 million for the years ended December 31, 2018, 2019 and 2020, respectively, as a result of a significant expansion of clinical activities.

Our total Company's shareholders' equity decreased from US$389.0 million as of December 31, 2018 to US$288.0 million as of December 31, 2019, primarily as a result of the net loss attributable to our Company. Our total Company's shareholders' equity subsequently increased to US$484.1 million as of December 31, 2020, primarily due to our follow-on offering in the United States in January and February 2020 and private placements in July 2020 and November 2020 offset by the net loss attributable to our Company. See "*Financial Information*" for further information.

Liquidity and Capital Resources

Net cash used in operating activities was US$80.9 million for the year ended December 31, 2019, compared to net cash used in operating activities of US$62.1 million for the year ended December 31, 2020, primarily due to an increase in dividends received from Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan of US$58.6 million. The net change was partially offset by higher net losses, primarily due to an increase in research and development expenses of US$36.6 million. We expect to incur significant expenses, particularly research and development expenses, for the foreseeable future as we expand our development of, and seek regulatory approvals for, our drug candidates. See "*Risk Factors – Risk Factors Relating to Our Financial Position and Need for Capital – We have incurred significant net operating cash outflows during the Track Record Period, and may continue to experience net cash outflow from operating activities.*"

Net cash used in operating activities was US$32.8 million for the year ended December 31, 2018, compared to net cash used in operating activities of US$80.9 million for the year ended December 31, 2019, primarily due to the increase in net loss of US$32.4 million. Additionally, the net change was also a result of a decrease in dividends received from equity investees of US$7.1 million.

For a detailed discussion of our consolidated statements of cash flows, see "*Financial Information – Liquidity and Capital Resources.*"

FINANCIAL GUIDANCE FOR 2021

It is our regular practice, similar to several other companies listed on Nasdaq, to issue current year financial guidance to our investors in connection with the release of our annual financial results for the preceding year and to update the guidance during the course of the current year if required by material developments. On March 4, 2021, we issued the following financial guidance in connection with the release of our financial results for 2020.

Our financial guidance for 2021 reflects expected commercial progress on Elunate and Sulanda as well as the potential launch of savolitinib in mid-2021. While we do not provide net cash flow guidance for 2021, we do expect an increase in investment to support the many new potential registration studies we plan this year as well as the continued expansion of our organization in China, the United States and Europe.

To support our growth plans, we continue to actively evaluate non-core assets divestment opportunities as well as monitor market conditions for seeking further listings on other stock exchanges.

	2021 Guidance
Oncology/Immunology consolidated revenues:	US$110 – 130 million

See "*Financial Information – Financial guidance for 2021*" for further information.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, having performed reasonable due diligence on the Group, since December 31, 2020 (being the date to which the latest audited consolidated financial information of our Company was prepared) and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

OFFERING STATISTICS

	Based on the Maximum Offer Price of HK$45.00 per Offer Share
Market capitalization of our Shares[(1)]	HK$38,183,204,700
Unaudited pro forma adjusted net tangible asset value per Share[(2)]	HK$9.86

Notes:

(1) The calculation of market capitalization is based on 848,515,660 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible asset value per Share as at December 31, 2020 is calculated after making the adjustments referred to in "*Appendix IIA – Unaudited Pro Forma Financial Information*" and on the basis that the Global Offering had been completed on December 31, 2020. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2020, including the proposed divestment of the entire investment in Hutchison Baiyunshan which had a carrying value of approximately US$59.7 million as at December 31, 2020 and the issuance of 16,393,445 ordinary shares to a third party for gross proceeds of US$100.0 million. Had the proposed divestment and issuance of new shares been taken into account, the unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share would have increased from HK$9.86 per Share to HK$11.37 per Share based on the Maximum Offer Price of HK$45.00 per Share. The actual financial effects of the proposed divestment are to be determined based on the final amounts to be received and the carrying amount of the investment in Hutchison Baiyunshan at the completion date and are therefore subject to change upon the actual completion of the divestment.

DIVIDENDS

We have never declared or paid dividends on our Shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not have any present plan to pay any dividends. The declaration and payment of any dividends in the future will be determined by our Board in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. See "*Financial Information – Dividends and Distributable Reserves*" for further information.

LISTING EXPENSES

Listing expenses mainly include underwriting commissions, professional fees paid to the reporting accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. Assuming an Offer Price of HK$45.00 per Share (being the Maximum Offer Price), we estimate that the listing expenses will be approximately HK$238.9 million (US$30.6 million), of which approximately HK$14.3 million (US$1.8 million) will be charged to our consolidated statements of operations and approximately HK$224.6 million (US$28.8 million) will be capitalized. We estimate that the listing expenses will represent approximately 5.1% of the estimated gross proceeds from the Listing (assuming the Over-allotment Option is not exercised).

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$4,441 million, after deducting underwriting commissions, the discretionary incentive fee (assuming the full payment of such fee) and estimated expenses in relation to the Global Offering payable by us, and assuming an Offer Price of HK$45.00 (being the Maximum Offer Price) and the Over-allotment Option is not exercised.

We intend to use the net proceeds we receive from the Global Offering as follows:

Use of proceeds	**% of net proceeds**	**Approximate Amount**
		(HK$ million)
Advance our late-stage clinical programs for savolitinib, surufatinib, fruquintinib, HMPL-689 and HMPL-523 through registration trials and potential NDA submissions	50	HK$2,220
Support further proof-of-concept studies and fund continued expansion of our product portfolio in cancer and immunological diseases through internal research, including the development cost of early-clinical and preclinical-stage pipeline drug candidates	10	HK$ 445
Further strengthen our integrated capabilities across commercialization, clinical and regulatory and manufacturing	20	HK$ 888
Fund potential global business development and strategic acquisition opportunities to complement our internal research and development activities	15	HK$ 666
Working capital, expanding internal capabilities globally and in China, and general corporate purposes	5	HK$ 222

See *"Future Plans and Use of Proceeds"* for further details.

RISK FACTORS

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

- Risks relating to our need for additional funding
- Risks relating to our approach to the discovery and development of drug candidates and the lengthy, expensive and uncertain clinical development process
- Risks relating to expediting regulatory review, obtaining and maintaining regulatory approval and ongoing regulatory review for our drug candidates
- Risks relating to the commercialization of our drug candidates
- Risks relating to competition in discovering, developing and commercializing drugs
- Risks relating to our collaboration partners with respect to clinical trials, marketing and distribution

POTENTIAL LISTING ON SHANGHAI STOCK EXCHANGE SCIENCE AND TECHNOLOGY INNOVATION BOARD

To further support the Company's growth plans, the Company continues to monitor market conditions for, and evaluate the possibility of, seeking further listings on other stock exchanges such as the STAR Market. While the evaluation is ongoing, no decision has been made as to whether any such further listings will be sought and, if so, whether any application for such further listings will be successful.

In connection with the foregoing and to enable the Company to evaluate a potential STAR Listing, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Listing Rule 10.08. See "*Waivers and Exemptions – Waiver in relation to restriction on further issue of Shares by the Company*" for further details of the potential STAR Listing and the conditions of the Listing Rule 10.08 waiver.

SUMMARY OF FIRST QUARTER 2021 HIGHLIGHTS

Cash and cash equivalents and short-term investments were US$396.1 million as of March 31, 2021 compared to US$435.2 million as of December 31, 2020.

Revenues increased by 58.1% to US$81.6 million for the three months ended March 31, 2021 from US$51.6 million for the three months ended March 31, 2020.

- **Oncology/Immunology revenues** increased by 227.3% to US$21.7 million for the three months ended March 31, 2021 from US$6.6 million for the three months ended March 31, 2020.

    - **Accelerating Sales Growth of Elunate** – Sales of Elunate generated revenues of US$13.4 million for the three months ended March 31, 2021 compared to US$2.9 million for the three months ended March 31, 2020. In-market sales of Elunate were US$20.2 million for the three months ended March 31, 2021 compared to US$7.3 million for the three months ended March 31, 2020, as provided by Eli Lilly.

    - **Launch of Sulanda** – We commercially launched Sulanda as a treatment for patients with advanced non-pancreatic NET in China in mid-January 2021 within three weeks of approval from the NMPA. We had revenues of US$5.5 million from sales of Sulanda for the three months ended March 31, 2021.

- **Other Ventures revenues** increased by 33.2% to US$59.9 million for the three months ended March 31, 2021 from US$45.0 million for the three months ended March 31, 2020.

Research and development expenses incurred by Oncology/Immunology increased by 87.0% to US$57.1 million for the three months ended March 31, 2021 from US$30.5 million for the three months ended March 31, 2020, primarily due to a significant expansion of clinical activities in the United States and rapid organizational growth to support such expansion. In particular, this increase was attributable to the expansion of the fruquintinib, surufatinib, HMPL-689 and HMPL-306 development programs. Our international clinical and regulatory operations in the United States and Europe incurred research and development expenses of US$30.6 million for the three months ended March 31, 2021 compared to US$8.0 million for the three months ended March 31, 2020. We expect to incur significant expenses, particularly research and development expenses, for the foreseeable future as we expand our development of, and seek, regulatory approvals for, our drug candidates.

Net loss attributable to our Company was US$41.1 million for the three months ended March 31, 2021 compared to US$16.1 million for the three months ended March 31, 2020. Net loss attributable to our Company was US$0.06 per ordinary share for the three months ended March 31, 2021 compared to US$0.02 per ordinary share for the three months ended March 31, 2020.

BUSINESS UPDATES

Recent Disposal

On March 24, 2021, we entered into a sale and purchase agreement with GL Mountrose Investment Two Limited, a company controlled and managed by GL Capital Group, to sell our entire investment in Hutchison Baiyunshan. GL Capital Group is an investment firm that focuses on buyout and growth opportunities in China's healthcare industry and is an independent third party which has a minority interest in the Company and is not a connected person of the Company. The disposal is subject to regulatory approval in China and is expected to be completed in the second half of 2021.

The aggregate amounts to be received attributable to the Company are approximately US$169 million, of which approximately US$127 million is related to our shareholding in Hutchison Baiyunshan and approximately US$42 million is related to distributions of the land compensation and the prior year's undistributed profits. A deposit of approximately US$15.9 million paid upon signing of the agreement will be credited against the proceeds due on completion of the disposal.

Following the completion of the disposal, the Group will cease equity accounting of the financial results of Hutchison Baiyunshan, and will derecognize the carrying value of the Company's investment in Hutchison Baiyunshan and recognize a disposal gain attributable to the Company estimated at approximately US$80-90 million, net of taxes. The Group will exit from the over-the-counter drug arena upon the disposal. As our focus is the discovery and development of novel therapies in oncology and immunology, the sale of our interest in Hutchison Baiyunshan will allow us to focus resources on our primary aim of accelerating investment in our Oncology/Immunology assets. See "*Business – Other Ventures – Hutchison Baiyunshan*" and "*History and Corporate Structure – Acquisition and Disposal*" for more information.

Baring Private Placement

On April 14, 2021, the Company completed the sale of US$100 million of Shares at a price of US$6.10 per Share (equivalent to an ADR price of US$30.50 per ADS) via a private placement to Pachytene Limited, an investment holding company wholly owned by Baring Asia Private Equity Fund VII. See "*History and Corporate Structure – Private Placements – Baring*" for more information.

FINANCIAL UPDATES

Our unaudited condensed consolidated statements of operations and cash flows presented below for the three months ended March 31, 2020 and 2021 and our unaudited condensed consolidated balance sheet as of March 31, 2021 have been derived from Appendix IIB to this prospectus. The unaudited interim financial information for the three months ended March 31, 2021 has been prepared on the same basis as our audited consolidated financial data and has been reviewed by our reporting accountant in accordance with Hong Kong Standard on Review Engagements 2410. Please refer to Appendix IIB for a discussion of the effect of material differences between the financial information of the Company prepared under U.S. GAAP and IFRS.

The consolidated financial information below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 and as of December 31, 2018, 2019 and 2020 and related notes included in Appendix I to this prospectus. Our historical results do not necessarily indicate results expected for any future periods, and the results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2021. Please refer to "Financial Information," "Risk Factors" and "Our Business" included elsewhere in this document for information regarding trends and other factors that may affect our results of operations.

Condensed Consolidated Statements of Operations

	Three Months Ended March 31,	
	2020	2021
	US$'000 (Unaudited)	
Revenues		
Goods—third parties	45,971	67,060
—related parties	767	1,306
Services		
—commercialization—third parties	–	7,406
—collaboration research and development—third parties	3,618	2,706
—research and development—related parties	121	130
Other collaboration revenue—royalties—third parties	1,093	2,948
Total revenues	**51,570**	**81,556**
Operating expenses		
Costs of goods—third parties	(40,778)	(54,872)
Costs of goods—related parties	(512)	(954)
Costs of services—commercialization—third parties	–	(9,114)
Research and development expenses	(30,511)	(57,059)
Selling expenses	(2,594)	(5,733)
Administrative expenses	(9,667)	(17,024)
Total operating expenses	**(84,062)**	**(144,756)**
	(32,492)	**(63,200)**
Other income, net of other expenses	1,172	293
Loss before income taxes and equity in earnings of equity investees	**(31,320)**	**(62,907)**
Income tax expense	(1,045)	(1,939)
Equity in earnings of equity investees, net of tax	16,939	24,993
Net loss	**(15,426)**	**(39,853)**
Less: Net income attributable to non-controlling interests	(715)	(1,290)
Net loss attributable to our Company	**(16,141)**	**(41,143)**
Losses per share attributable to our Company—basic and diluted (US$ per share)	(0.02)	(0.06)
Number of shares used in per share calculation—basic and diluted	683,855,237	723,176,387

Condensed Consolidated Balance Sheets

	December 31, 2020	March 31, 2021
	US$'000	(Unaudited)
Assets		
Current assets		
Cash and cash equivalents	235,630	346,133
Short-term investments	199,546	49,939
Accounts receivable—third parties	46,648	53,128
Inventories	19,766	19,757
Other current assets	29,150	27,273
Total current assets	**530,740**	**496,230**
Property, plant and equipment	24,170	26,257
Right-of-use assets	8,016	9,849
Investments in equity investees	139,505	133,816
Other non-current assets	21,687	26,965
Total assets	**724,118**	**693,117**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	31,612	28,636
Other payables, accruals and advance receipts	120,882	150,332
Lease liabilities	2,785	3,970
Other current liabilities	3,118	5,577
Total current liabilities	**158,397**	**188,515**
Lease liabilities	6,064	6,529
Long-term bank borrowings	26,861	26,872
Other non-current liabilities	13,847	6,806
Total liabilities	**205,169**	**228,722**
Commitments and contingencies		
Company's shareholders' equity		
Ordinary shares	72,772	72,812
Additional paid-in capital	822,458	808,776
Accumulated losses	(415,591)	(456,742)
Accumulated other comprehensive income	4,477	3,425
Total Company's shareholders' equity	**484,116**	**428,271**
Non-controlling interests	34,833	36,124
Total shareholders' equity	**518,949**	**464,395**
Total liabilities and shareholders' equity	**724,118**	**693,117**

Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2020	2021
	US$'000 (Unaudited)	
Net cash used in operating activities	(1,757)	(22,356)
Investing activities		
Purchases of property, plant and equipment	(2,087)	(6,057)
Deposits in short-term investments	(191,764)	(49,943)
Proceeds from short-term investments	96,011	199,549
Deposit received for divestment of Hutchison Baiyunshan	–	15,912
Purchase of leasehold land	–	(355)
Refund of leasehold land deposit	–	930
Net cash (used in)/generated from investing activities	(97,840)	160,036
Financing activities		
Proceeds from issuance of ordinary shares	118,341	242
Purchases of treasury shares	–	(26,758)
Payment of issuance costs	(7,643)	(231)
Net cash generated from/(used in) financing activities	110,698	(26,747)
Net increase in cash and cash equivalents	11,101	110,933
Effect of exchange rate changes on cash and cash equivalents	(18)	(430)
	11,083	110,503
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	121,157	235,630
Cash and cash equivalents at end of period	132,240	346,133

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2021

Set forth below is a discussion of our unaudited consolidated statements of operations for the three months ended March 31, 2020 and 2021:

Revenues. Our revenue increased by 58.1% from US$51.6 million for the three months ended March 31, 2020 to US$81.6 million for the three months ended March 31, 2021, which was caused by increased revenue from both Oncology/Immunology and Other Ventures operations.

Revenue from Oncology/Immunology increased by 227.3% from US$6.6 million for the three months ended March 31, 2020 to US$21.7 million for the three months ended March 31, 2021, primarily due to the commercial launch of Sulanda in January 2021 which generated revenue of US$5.5 million for the three months ended March 31, 2021. Furthermore, there was an increase in revenue related to the sale of Elunate from US$2.9 million for the three months ended March 31, 2020 to US$13.4 million for the three months ended March 31, 2021 which was mainly comprised US$7.4 million in service revenue from promotion and marketing services to Eli Lilly and an increase in manufacturing sales and royalties of US$3.1 million across these periods.

Revenue from our Other Ventures increased by 33.2% from US$45.0 million for the three months ended March 31, 2020 to US$59.9 million for the three months ended March 31, 2021, primarily due to an increase in sales of prescription drug products which increased by 28.7% from US$38.0 million for the three months ended March 31, 2020 to US$49.0 million for the three months ended March 31, 2021 resulting from increased sales by our consolidated joint venture Hutchison Sinopharm. Revenues from our consumer health products also increased by 58.0% from US$7.0 million for the three months ended March 31, 2020 to US$10.9 million for the three months ended March 31, 2021, primarily due to an increase in sales of infant nutrition products.

Cost of Revenues. Our cost of revenues increased by 57.3% from US$41.3 million for the three months ended March 31, 2020 to US$64.9 million for the three months ended March 31, 2021. This increase was primarily due to increased sales by our Other Ventures as well as the cost of promotion and marketing services to Eli Lilly which commenced in October 2020. Cost of revenues as a percentage of revenue was relatively stable at 80.1% for the three months ended March 31, 2020 and 79.6% for the three months ended March 31, 2021.

Research and Development Expenses. Our research and development expenses incurred by Oncology/Immunology increased by 87.0% from US$30.5 million for the three months ended March 31, 2020 to US$57.1 million for the three months ended March 31, 2021, which was primarily attributable to a US$17.2 million increase in CRO and other clinical trial related costs and a US$6.0 million increase in employee compensation related costs. These increased costs were due to a significant expansion of clinical activities in the United States and rapid organizational growth to support such expansion. In particular, this increase was attributable to the expansion of the fruquintinib, surufatinib, HMPL-689 and HMPL-306 development programs. As a result, research and development expenses as a percentage of our revenue increased from 59.2% to 70.0% across these periods.

Selling Expenses. Our selling expenses increased by 121.0% from US$2.6 million for the three months ended March 31, 2020 to US$5.7 million for the three months ended March 31, 2021, primarily due to promotion and marketing expenses incurred for the sale of Sulanda in China which launched in January 2021. As a result, selling expenses as a percentage of our revenues increased from 5.0% to 7.0% across these periods.

Administrative Expenses. Our administrative expenses increased by 76.1% from US$9.7 million for the three months ended March 31, 2020 to US$17.0 million for the three months ended March 31, 2021. This was primarily due to US$3.8 million increase in administrative expenses incurred by Oncology/Immunology, which was mainly related to increased staff cost to support the expansion of our clinical activities. There was also an increase of US$2.9 million in administrative expenses incurred by our corporate head office for organizational expansion. Administrative expenses as a percentage of our revenues increased from 18.7% to 20.9% across these periods.

Other Income, net. We had net other income of US$1.2 million for the three months ended March 31, 2020, compared to net other income of US$0.3 million for the three months ended March 31, 2021. The decrease was primarily due to a decline in interest income of US$0.5 million mainly due to lower bank deposit rates and an increase of exchange loss of US$0.6 million. Such decrease was partly offset by a decrease in interest expenses of US$0.2 million due to lower bank borrowing rates.

Income Tax Expense. Our income tax expense increased from US$1.0 million for the three months ended March 31, 2020 to US$1.9 million for the three months ended March 31, 2021, primarily due to higher withholding taxes accrued as a result of an increase in net income of Shanghai Hutchison Pharmaceuticals and higher taxable income in relation to commercial activities.

Equity in Earnings of Equity Investees. Our equity in earnings of equity investees, net of tax, increased by 47.5% from US$16.9 million for the three months ended March 31, 2020 to US$25.0 million for the three months ended March 31, 2021. This change was primarily due to an increase in net income of Shanghai Hutchison Pharmaceuticals.

Net Loss. As a result of the foregoing, our net loss increased from US$15.4 million for the three months ended March 31, 2020 to US$39.9 million for the three months ended March 31, 2021. Net loss attributable to our Company increased from US$16.1 million for the three months ended March 31, 2020 to US$41.1 million for the three months ended March 31, 2021. The increase in net losses is primarily due to an increase in research and development expenses, as a result of a significant expansion of clinical activities.

Cash Flows and Capital Commitments

Set forth below is a discussion of our unaudited consolidated cash flows for the three months ended March 31, 2020 and 2021:

Net Cash used in Operating Activities. Net cash used in operating activities was US$1.8 million for the three months ended March 31, 2020, compared to net cash used in operating activities of US$22.4 million for the three months ended March 31, 2021. The net change of US$20.6 million was primarily attributable to an increase in research and development expenses of US$26.6 million from US$30.5 million for three months ended March 31, 2020 to US$57.1 million for the three months ended March 31, 2021.

Net Cash (used in)/generated from Investing Activities. Net cash used in investing activities was US$97.8 million for the three months ended March 31, 2020, compared to net cash generated from investing activities of US$160.0 million for the three months ended March 31, 2021. The net change of US$257.8 million was primarily attributable to net deposits in short-term investments of US$95.8 million for the three months ended March 31, 2020 compared to the net withdrawal of deposits in short-term investments of US$149.6 million for the three months ended March 31, 2021. The net change was also due to our receipt of a US$15.9 million deposit in March 2021 in connection with our planned divestment of Hutchison Baiyunshan.

Net Cash generated from/(used in) Financing Activities. Net cash generated from financing activities was US$110.7 million for the three months ended March 31, 2020, compared to net cash used in financing activities of US$26.7 million for the three months ended March 31, 2021. The net change of US$137.4 million was primarily attributable to net proceeds of US$110.7 million from our follow-on offering in the United States in January and February 2020. This net change was also due to the purchases of treasury shares of US$26.8 million for the three months ended March 31, 2021.

Capital Expenditures. We had capital expenditures of US$2.1 million and US$6.1 million for the three months ended March 31, 2020 and 2021, respectively. Our capital expenditures for the three months ended March 31, 2021 were primarily used for the construction of our new manufacturing facility in Shanghai. Our capital expenditures have been primarily funded by cash flows from operations and proceeds from our initial public and follow-on offerings in the United States and other equity offerings.

As of March 31, 2021, we had commitments for capital expenditures of approximately US$44.2 million, primarily for the construction of our new manufacturing facility in Shanghai. We expect to fund these capital expenditures through cash flows from operations, bank borrowings and existing cash resources.

Company	HUTCHMED (China) Limited (和黃醫藥(中國)有限公司)
Global Offering	Global offering of initially 104,000,000 Offer Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising the following:
Hong Kong Public Offering	13,000,000 Offer Shares (subject to reallocation).
International Offering	91,000,000 Offer Shares (subject to reallocation and the Over-allotment Option).
Over-allotment Option	The Company is expected to grant the Over-allotment Option to the International Underwriters under the U.S. Underwriting Agreement pursuant to which the Company may be required to issue up to 15,600,000 additional Offer Shares representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering.
Maximum Offer Price	HK$45.00 per Offer Share
Price Determination	The Offer Price is expected to be determined on the Price Determination Date, which is expected to be on or about Wednesday, June 23, 2021 and, in any event, not later than Tuesday, June 29, 2021.
Market Capitalization at Listing	Expected to be approximately HK$38,183.2 million (based on the Maximum Offer Price and assuming the Over-allotment Option is not exercised).
Listing and Trading	Expected to commence on Wednesday, June 30, 2021.
Board Lot	500 Shares

See "*Underwriting*" and "*Structure of the Global Offering*" for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

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

You should only rely on the information contained in this prospectus to make your investment decision. Neither the Company nor any of the Relevant Persons has authorized anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The words "anticipate," "assume," "believe," "contemplate," "continue," "could," "estimate," "expect," "goal," "intend," "may," "might," "objective," "plan," "potential," "predict," "project," "positioned," "seek," "should,"

"target," "will," "would," or the negative of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and management's beliefs and assumptions, are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors. These forward-looking statements include statements regarding, among others:

- the initiation, timing, progress and results of our or our collaboration partners' pre-clinical and clinical studies, and our research and development programs;
- our or our collaboration partners' ability to advance our drug candidates into, and/or successfully complete, clinical studies;
- the timing of regulatory filings and the likelihood of favorable regulatory outcomes and approvals;
- regulatory developments in China, the United States and other countries;
- establishing and expanding our oncology drug sales team to support the marketing and sales of our approved drug candidates and the ability of our oncology drug sales team to develop and execute promotion and marketing activities;
- the timing, progress and results of our commercial launches, the rate and degree of market acceptance and potential market of any of our approved drug candidates;
- the pricing and reimbursement of our and our joint ventures' products and our approved drug candidates;
- our ability to contract on commercially reasonable terms with contract research organizations, or CROs, third-party suppliers and manufacturers;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our or our joint ventures' products and our drug candidates;
- the ability of third parties with whom we contract to successfully conduct, supervise and monitor clinical studies for our drug candidates;
- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- our ability to obtain additional funding for our operations;
- the potential benefits of our collaborations and our ability to enter into future collaboration arrangements;

- the ability and willingness of our collaborators to actively pursue development activities under our collaboration agreements;
- our receipt of milestone or royalty payments service payments and manufacturing costs pursuant to our strategic alliances with AstraZeneca AB (publ), or AstraZeneca, and Lilly (Shanghai) Management Company Limited, or Eli Lilly;
- our financial performance;
- our ability to attract and retain key scientific and management personnel;
- our relationship with our joint venture and collaboration partners;
- developments relating to our competitors and our industry, including competing drug products;
- changes in our tax status or the tax laws in the jurisdictions that we operate;
- developments in our business strategies and business plans, including the completion of the disposal of Hutchison Baiyunshan;
- the extent of the impact of the COVID-19 pandemic, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic, the duration and scope of related government orders and restrictions and the extent of the impact of the COVID-19 pandemic on the global economy; and
- financial guidance for 2021.

Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. As a result, any or all of our forward-looking statements in this prospectus may turn out to be inaccurate. We have included important factors in the cautionary statements included in "*Risk Factors*" that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Moreover, we operate in a highly competitive and rapidly changing environment in which new risks often emerge. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.

You should read this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained herein are made as of the date of this prospectus, and we do not assume any obligation to update any forward-looking statements except as required by applicable law.

An investment in the Offer Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in the prospectus, before deciding whether to invest in the Offer Shares. If any of the following events occur or if these risks or any additional risks not currently known to us or which we now deem immaterial risks materialize, our business, financial condition, results of operations and/or our ability to meet our financial obligations could be materially and adversely affected. The market price of the Shares could fall significantly due to any of these events or risks (or such additional risks) and you may lose your investment. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition and results of operations.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our financial position and need for capital; (ii) risks relating to our Oncology/Immunology operations and development of our drug candidates; (iii) risks relating to sales of our internally developed drugs and other drugs; (iv) risks relating to our dependence on third parties; (v) other risks and risks relating to doing business in China; (vi) risks relating to intellectual property; and (vii) risks relating to our Shares, the ADSs, the Global Offering and our listings in Hong Kong, the United States and the United Kingdom.

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

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR CAPITAL

We may need substantial additional funding for our product development programs and commercialization efforts. If we are unable to raise capital on acceptable terms when needed, we could incur losses and be forced to delay, reduce or eliminate such efforts.

We expect our expenses to increase significantly in connection with our ongoing activities, particularly as we or our collaboration partners advance the clinical development of our clinical drug candidates which are currently in active or completed clinical studies in various countries. We will incur significant expenses as we continue research and development and initiate additional clinical trials of, and seek regulatory approval for, these and other future drug candidates. In addition, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution in China for surufatinib, our unpartnered drug candidate approved in China in December 2020, and any of our other unpartnered drug candidates that may be approved in the future. In particular, the costs that may be required for the manufacture of any drug candidate that receives regulatory approval may be substantial as we may have to modify or increase the production capacity at our current

manufacturing facilities or contract with third-party manufacturers. We may also incur expenses as we create additional infrastructure, such as our new manufacturing facility under construction in Shanghai, and expand our U.S.-based clinical and commercial team to support our operations at our U.S. subsidiary, HUTCHMED International Corporation. Accordingly, we may need to obtain substantial funding in connection with our continuing operations through public or private equity offerings, debt financings, collaborations or licensing arrangements or other sources. If we are unable to raise capital when needed or on attractive terms, we could incur losses and be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

Our net cash used in operating activities was US$32.8 million, US$80.9 million and US$62.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. We believe, however, that our expected cash flow from operations, including dividends from our Other Ventures and milestone and other payments from our collaboration partners, our cash and cash equivalents and short-term investments as well as our unutilized bank facilities as of the Latest Practicable Date, and the expected proceeds from the disposal of Hutchison Baiyunshan will enable us to fund our operating expenses, debt service and capital expenditure requirements for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the number and development requirements of the drug candidates we pursue;
- the scope, progress, timing, results and costs of researching and developing our drug candidates, and conducting pre-clinical and clinical trials;
- the cost, timing and outcome of regulatory review of our drug candidates;
- the cost and timing of commercialization activities, including product manufacturing, marketing, sales and distribution, for our drug candidates for which we have received regulatory approval;
- the amount and timing of any milestone or royalty payments, service payments and manufacturing costs from our collaboration partners, with whom we cooperate with respect to the development and potential commercialization of certain of our drug candidates;
- the cash received from commercial sales of drug candidates for which we have received regulatory approval;
- our ability to establish and maintain strategic partnerships, collaboration, licensing or other arrangements and the financial terms of such agreements;
- the cost, timing and outcome of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;

- the completion of the disposal of Hutchison Baiyunshan;
- our headcount growth and associated costs, particularly as we expand our clinical and commercialization activities in the United States and Europe; and
- the costs of operating as a public company listed in Hong Kong, the United States and United Kingdom.

Identifying potential drug candidates and conducting pre-clinical testing and clinical trials is a time-consuming, expensive and uncertain process that may take years to complete, and our commercial revenue will be derived from sales of products that will not be commercially available unless and until we receive regulatory approval. We may never generate the necessary data or results required for certain drug candidates to obtain regulatory approval, and even if approved, they may not achieve commercial success. Accordingly, we will need to continue to rely on financing to achieve our business objectives. Adequate financing may not be available to us on acceptable terms, or at all.

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

We expect to finance our cash needs in part through cash flow from our operations, including dividends from our Other Ventures, and we may also rely on raising capital through a combination of public or private equity offerings, debt financings and/or license and development agreements with collaboration partners. In addition, we may seek capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise capital through the sale of equity or convertible debt securities (including potential further listings on other stock exchanges), the ownership interest of our shareholders may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect the rights of our existing shareholders. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants that limit our ability to take specified actions, such as incurring additional debt, making capital expenditures or declaring dividends. Additional debt financing would also result in increased fixed payment obligations.

In addition, if we raise funds through collaborations, strategic partnerships or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or drug candidates or grant licenses on terms that may not be favorable to us. We may also lose control of the development of drug candidates, such as the pace and scope of clinical trials, as a result of such third-party arrangements. If we are unable to raise funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market drug candidates that we would otherwise prefer to develop and market ourselves.

Our existing and any future indebtedness could adversely affect our ability to operate our business.

Our outstanding indebtedness combined with current and future financial obligations and contractual commitments, including any additional indebtedness beyond our current facilities with HSBC and Deutsche Bank AG could have significant adverse consequences, including:

- requiring us to dedicate a portion of our cash resources to the payment of interest and principal, and prepayment and repayment fees and penalties, thereby reducing money available to fund working capital, capital expenditures, product development and other general corporate purposes;

- increasing our vulnerability to adverse changes in general economic, industry and market conditions;

- subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and

- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We intend to satisfy our current and future debt service obligations with our existing cash and cash equivalents and short-term investments. Nevertheless, we may not have sufficient funds, and may be unable to arrange for financing, to pay the amounts due under our existing debt. Failure to make payments or comply with other covenants under our existing debt instruments could result in an event of default and acceleration of amounts due.

We have incurred significant net operating cash outflows during the Track Record Period, and may continue to experience net cash outflow from operating activities.

Investment in biopharmaceutical drug development is highly speculative. It entails substantial upfront expenditures and significant risk that a drug candidate might fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. Net cash used in operating activities was US$32.8 million, US$80.9 million and US$62.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. For a detailed discussion of our net cash used in operating activities, see "Financial Information – Liquidity and Capital Resources." We expect to incur significant expenses, particularly research and development expenses, for the foreseeable future as we expand our development of, and seek regulatory approvals for, our drug candidates. Typically, it takes many years to develop one new drug from the drug discovery stage to the time it is available for treating patients. Our ability to improve our cash flow depends on a number of variables, including the number and scope of our drug development programs and the

associated costs of those programs, the cost of commercializing any approved products, our ability to generate revenues and the timing and amount of milestones and other payments we make or receive through arrangements with third parties. Our failure to generate positive cash flow from operations may adversely affect our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. There is no assurance that we will be able to generate sufficient net cash inflows from operating activities, which could have adverse effects on our long-term viability.

We face risks with our short-term investments and in collecting our accounts receivables.

Our short-term investments are bank deposits with maturities of more than three months but less than one year. Our short-term investments were US$214.9 million, US$96.0 million and US$199.5 million as of December 31, 2018, 2019 and 2020, respectively, and are placed with major financial institutions. These investments may earn yields substantially lower than expected. Failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets.

Our accounts receivable—third parties balance, net of allowance for credit losses, totaled US$40.2 million, US$41.4 million and US$46.6 million as of December 31, 2018, 2019 and 2020, respectively. We have policies and procedures in place to ensure that sales are made to customers with an appropriate credit history. We perform periodic credit evaluations of our customers and monitor risk factors and forward-looking information, such as country risk, when determining credit limits for customers. However, there can be no assurance such policies and procedures will effectively limit our credit risk and enable us to avoid losses, which could adversely affect our financial condition and results of operations. In addition, amounts due to us are not covered by collateral or credit insurance. As of April 30, 2021, US$41.4 million, or 89%, of the total accounts receivable—third parties outstanding as of December 31, 2020 had been settled. If we fail to collect all or part of such accounts receivable in a timely manner, or at all, our financial condition may be materially and adversely affected.

RISKS RELATING TO OUR ONCOLOGY/IMMUNOLOGY OPERATIONS AND DEVELOPMENT OF OUR DRUG CANDIDATES

Historically, our in-house research and development division, which is included in our Oncology/Immunology operations, has not generated significant profits or has operated at a net loss. Our future profitability is dependent on the successful commercialization of our drug candidates.

To date, fruquintinib and surufatinib are our only drug candidates that have been approved for sale. We do not expect our Oncology/Immunology operations to be significantly profitable unless and until we generate substantial revenues from fruquintinib and/or successfully commercialize surufatinib and/or our other drug candidates. We expect to incur significant sales and marketing costs as we prepare to commercialize our drug candidates.

Successful commercialization of our drug candidates is subject to many risks. Fruquintinib is marketed in collaboration with our partner, Eli Lilly. Beginning in October 2020, we assumed responsibility for the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities for fruquintinib in China. Surufatinib is marketed by us without the support of a collaboration partner. Fruquintinib and surufatinib are the first innovative oncology drugs we, as an organization, have commercialized, and there is no guarantee that we will be able to successfully commercialize fruquintinib, surufatinib or any of our other drug candidates for their approved indications. There are numerous examples of failures to meet expectations of market potential, including by pharmaceutical companies with more experience and resources than us. There are many factors that could cause the commercialization of fruquintinib, surufatinib or our other drug candidates to be unsuccessful, including a number of factors that are outside our control. In the case of fruquintinib, for example, the third-line mCRC patient population in China may be smaller than we estimate or physicians may be unwilling to prescribe, or patients may be unwilling to take, fruquintinib for a variety of reasons. Additionally, any negative development for fruquintinib or surufatinib in clinical development in additional indications, or in regulatory processes in other jurisdictions, may adversely impact the commercial results and potential of fruquintinib or surufatinib in China and globally. Thus, significant uncertainty remains regarding the commercial potential of fruquintinib and surufatinib.

We may not achieve profitability after generating revenues from fruquintinib and/or sales from surufatinib or our other drug candidates, if ever. If the commercialization of fruquintinib, surufatinib and/or our other drug candidates is unsuccessful or perceived as disappointing, our stock price could decline significantly and the long-term success of the product and our Company could be harmed.

All of our drug candidates, other than fruquintinib and surufatinib for approved indications in China, are still in development. If we are unable to obtain regulatory approval and ultimately commercialize our drug candidates, or if we experience significant delays in doing so, our business will be materially harmed.

All of our drug candidates are still in development, including fruquintinib and surufatinib which have been approved in China for the treatment of third-line mCRC and non-pancreatic NET, respectively, but are still in development in the United States and other jurisdictions for these and other indications.

Although we receive certain payments from our collaboration partners, including upfront payments and payments for achieving certain development, regulatory or commercial milestones, for certain of our drug candidates, our ability to generate revenue from our drug candidates is dependent on their receipt of regulatory approval for and successful commercialization of such products, which may never occur. Each of our drug candidates in development will require additional pre-clinical and/or clinical trials, regulatory approval in multiple jurisdictions, manufacturing supply, substantial investment and significant marketing efforts before we generate any revenue from product sales. The success of our drug candidates will depend on several factors, including the following:

- successful completion of pre-clinical and/or clinical trials;
- successful enrollment in, and completion of, clinical trials;
- receipt of regulatory approvals from applicable regulatory authorities for planned clinical trials, future clinical trials, drug registrations or post-approval trials;
- successful completion of all safety studies required to obtain regulatory approval and/or fulfillment of post-approval requirements in the United States, China and other jurisdictions for our drug candidates;
- adapting our commercial manufacturing capabilities to the specifications for our drug candidates for clinical supply and commercial manufacturing;
- obtaining and maintaining patent and trade secret protection or regulatory exclusivity for our drug candidates;
- launching commercial sales of our drug candidates, if and when approved, whether alone or in collaboration with others;
- acceptance of the drug candidates, if and when approved, by patients, the medical community and third-party payors;

- effectively competing with other therapies;
- obtaining and maintaining healthcare coverage and adequate reimbursement;
- enforcing and defending intellectual property rights and claims; and
- maintaining a continued acceptable safety profile of the drug candidates following approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our drug candidates, which would materially harm our business.

Our primary approach to the discovery and development of drug candidates focuses on the inhibition of kinases, some of which are unproven.

A primary focus of our research and development efforts is on identifying kinase targets for which drug compounds previously developed by others affecting those targets have been unsuccessful due to limited selectivity, off-target toxicity and other problems. We then work to engineer drug candidates which have the potential to have superior efficacy, safety and other features as compared to such prior drug compounds. We also focus on developing drug compounds with the potential to be global best-in-class/next-generation therapies for validated kinase targets.

Even if we are able to develop compounds that successfully target the relevant kinases in pre-clinical studies, we may not succeed in demonstrating safety and efficacy of the drug candidates in clinical trials. Even if we are able to demonstrate safety and efficacy of compounds in certain indications in certain jurisdictions, we may not succeed in demonstrating the same in other indications or same indications in other jurisdictions. As a result, our efforts may not result in the discovery or development of drugs that are commercially viable or are superior to existing drugs or other therapies on the market. While the results of pre-clinical studies, early-stage clinical trials as well as clinical trials in certain indications have suggested that certain of our drug candidates may successfully inhibit kinases and may have significant utility in several cancer indications, potentially in combination with other cancer drugs, chemotherapy and immunotherapies, we have not yet demonstrated efficacy and safety for many of our drug candidates in later stage clinical trials.

We may expend our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we must limit our research programs to specific drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may

cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. In addition, if we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements when it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate.

The regulatory approval processes of the FDA, NMPA and comparable authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our drug candidates, our ability to generate revenue will be materially impaired.

Our drug candidates and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale, distribution, import and export, are subject to comprehensive regulation by the FDA, NMPA and other regulatory agencies in the United States and China and by comparable authorities in other countries. Securing regulatory approval requires the submission of extensive pre-clinical and clinical data and supporting information to the various regulatory authorities for each therapeutic indication to establish the drug candidate's safety and efficacy. Securing regulatory approval also requires the submission of information about the drug manufacturing process to, and inspection of manufacturing facilities by, the relevant regulatory authority. Our drug candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

The process of obtaining regulatory approvals in the United States, China and other countries is expensive, may take many years if additional clinical trials are required, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the drug candidates involved. Changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted NDA, pre-market approval or equivalent application types, may cause delays in the approval or rejection of an application. The FDA, NMPA and comparable regulatory authorities in other countries have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional pre-clinical, clinical or other studies. Our drug candidates could be delayed in receiving, or fail to receive, regulatory approval for many reasons, including the following:

- the FDA, NMPA or comparable regulatory authorities may disagree with the number, design, size, conduct or implementation of our clinical trials;

- we may be unable to demonstrate to the satisfaction of the FDA, NMPA or comparable regulatory authorities that a drug candidate is safe and effective for its proposed indication;

- the results of clinical trials may not meet the level of statistical significance required by the FDA, NMPA or comparable regulatory authorities for approval;

- we may be unable to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;

- the FDA, NMPA or comparable regulatory authorities may disagree with our interpretation of data from pre-clinical studies or clinical trials;

- the data collected from clinical trials of our drug candidates may not be sufficient to support the submission of an NDA or other submission or to obtain regulatory approval in the United States or elsewhere;

- the FDA, NMPA or comparable regulatory authorities may fail to approve the manufacturing processes for our clinical and commercial supplies;

- the approval policies or regulations of the FDA, NMPA or comparable regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval;

- the FDA, NMPA or comparable regulatory authority may prioritize treatments for emerging health crises, such as COVID-19, resulting in delays for our drug candidates;

- the FDA, NMPA or comparable regulatory authorities may restrict the use of our products to a narrow population; and

- our collaboration partners or CROs that are retained to conduct the clinical trials of our drug candidates may take actions that materially and adversely impact the clinical trials.

In addition, even if we were to obtain approval, regulatory authorities may approve any of our drug candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our drugs, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a drug candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that drug candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our drug candidates.

Furthermore, even though the NMPA has granted approval for fruquintinib and surufatinib for use in third-line mCRC and non-pancreatic NET patients, respectively, we are still subject to substantial, ongoing regulatory requirements. See "*– Even if we receive regulatory approval for our drug candidates, we are subject to ongoing obligations and continued regulatory review, which may result in significant additional expense*."

If the FDA, NMPA or another regulatory agency revokes its approval of, or if safety, efficacy, manufacturing or supply issues arise with, any therapeutic that we use in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We are currently focusing on the clinical development of savolitinib as both a monotherapy and in combination with immunotherapy (Imfinzi) and targeted therapy (Tagrisso). We are also focusing on the clinical development of our drug candidate fruquintinib as both a monotherapy and in combination with immunotherapies (Tyvyt and geptanolimab), chemotherapy (Taxol) and an anti-PD-1 antibody (tislelizumab). In addition, we are currently focusing on the clinical development of surufatinib as a monotherapy and in combination with immunotherapies (Tuoyi, Tyvyt and tislelizumab). However, we did not develop and we do not manufacture or sell Tagrisso, Taxol, Imfinzi, Tyvyt, geptanolimab, Tuoyi, tislelizumab or any other therapeutic we use in combination with our drug candidates. We may also seek to develop our drug candidates in combination with other therapeutics in the future.

If the FDA, NMPA or another regulatory agency revokes its approval, or does not grant approval, of any of these and other therapeutics we use in combination with our drug candidates, we will not be able to market our drug candidates in combination with such therapeutics. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our drug candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of these or any other combination therapeutics, we may not be able to complete clinical development of savolitinib, fruquintinib, surufatinib and/or any other of our drug candidates on our current timeline or at all.

Even if one or more of our drug candidates were to receive regulatory approval for use in combination with a therapeutic, we would continue to be subject to the risk that the FDA, NMPA or another regulatory agency could revoke its approval of the combination therapeutic, or that safety, efficacy, manufacturing or supply issues could arise with one of these combination therapeutics. This could result in savolitinib, fruquintinib, surufatinib or one of our other products being removed from the market or being less successful commercially.

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

The development and commercialization of new drugs is highly competitive. We face competition with respect to our current drug candidates, and will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market drugs or are pursuing the development of therapies in the field of kinase inhibition for cancer and other diseases. Some of these competitive drugs and therapies are

based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. Specifically, there are a large number of companies developing or marketing treatments for cancer and immunological diseases, including many major pharmaceutical and biotechnology companies.

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

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any drugs that we or our collaborators may develop. Our competitors also may obtain FDA, NMPA or other regulatory approval for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we or our collaborators are able to enter the market. The key competitive factors affecting the success of all of our drug candidates, if approved, are likely to be their efficacy, safety, convenience, price, the level of generic competition and the availability of reimbursement from government and other third-party payors.

Clinical development involves a lengthy and expensive process with an uncertain outcome.

There is a risk of failure for each of our drug candidates. It is difficult to predict when or if any of our drug candidates will prove effective and safe in humans or will receive regulatory approval. Before obtaining regulatory approval from regulatory authorities for the sale of any drug candidate, we or our collaboration partners must complete pre-clinical studies and 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. Our current or future clinical trials may not be successful.

Commencing each of our clinical trials is subject to finalizing the trial design based on ongoing discussions with the FDA, NMPA or other regulatory authorities. The FDA, NMPA and other regulatory authorities could change their position on the acceptability of our trial designs or clinical endpoints, which could require us to complete additional clinical trials or impose approval conditions that we do not currently expect. Successful completion of our clinical trials is a prerequisite to submitting an NDA or analogous filing to the FDA, NMPA or other regulatory authorities for each drug candidate and, consequently, the ultimate approval and commercial marketing of our drug candidates. We do not know whether any of our clinical trials will begin or be completed on schedule, if at all.

We and our collaboration partners may incur additional costs or experience delays in completing our pre-clinical or clinical trials, or ultimately be unable to complete the development and commercialization of our drug candidates.

We and our collaboration partners, including AstraZeneca, Eli Lilly, BeiGene, Inmagene, Innovent, Genor and Junshi, may experience delays in completing our pre-clinical or clinical trials, and numerous unforeseen events could arise during, or as a result of, future clinical trials, which could delay or prevent us from receiving regulatory approval, including:

- regulators, IRBs, ethics committees or the China Human Genetic Resources Administration Office may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;

- we may experience delays in reaching, or we may fail to reach, agreement on acceptable terms with prospective trial sites and prospective CROs, who conduct clinical trials on behalf of us and our collaboration partners, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

- clinical trials may produce negative or inconclusive results, and we or our collaboration partners 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 a higher rate 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 or our collaboration partners add new clinical trial sites or investigators;

- we or our collaboration partners 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 or a finding that the participants are being exposed to unacceptable health risks;

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

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

- our drug candidates may have undesirable side effects or unexpected characteristics, causing us or our investigators, regulators, IRBs or ethics committees to suspend or terminate the trials, or reports may arise from pre-clinical or clinical testing of other cancer therapies that raise safety or efficacy concerns about our drug candidates.

We could encounter regulatory delays if a clinical trial is suspended or terminated by us or our collaboration partners, by, as applicable, the IRBs of the institutions in which such trials are being conducted, by the Data Safety Monitoring Board, which is an independent group of experts that is formed to monitor clinical trials while ongoing, or by the FDA, NMPA or other regulatory authorities. Such authorities may impose a suspension or termination due to a number of factors, including: a failure to conduct the clinical trial in accordance with regulatory requirements or the applicable clinical protocols, inspection of the clinical trial operations or trial site by the FDA, NMPA or other regulatory authorities that results in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. Many of the factors that cause a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates. Further, the FDA, NMPA or other regulatory authorities may disagree with our clinical trial design and our interpretation of data from clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design for our clinical trials.

If we or our collaboration partners are required to conduct additional clinical trials or other testing of our drug candidates beyond those that are currently contemplated, if we or our collaboration partners are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining regulatory approval for our drug candidates;
- not obtain regulatory approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- be subject to post-marketing testing requirements; or
- have the drug removed from the market after obtaining regulatory approval.

Our drug development costs will also increase if we experience delays in testing or regulatory approvals. We do not know whether any of our clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant pre-clinical study or clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our drug candidates and may harm our business and results of operations. Any delays in our clinical development programs may harm our business, financial condition and prospects significantly.

If we or our collaboration partners experience delays or difficulties in the enrollment of patients in clinical trials, the progress of such clinical trials and our receipt of necessary regulatory approvals could be delayed or prevented.

We or our collaboration partners may not be able to initiate or continue clinical trials for our drug candidates if we or our collaboration partners are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA, NMPA or similar regulatory authorities. In particular, we and our collaboration partners have designed many of our clinical trials, and expect to design future trials, to include some patients with the applicable genomic alteration that causes the disease with a view to assessing possible early evidence of potential therapeutic effect. Genomically defined diseases, however, may have relatively low prevalence, and it may be difficult to identify patients with the applicable genomic alteration. In addition, for many of our trials, we focus on enrolling patients who have failed their first or second-line treatments, which limits the total size of the patient population available for such trials. The inability to enroll a sufficient number of patients with the applicable genomic alteration or that meet other applicable criteria for our clinical trials would result in significant delays and could require us or our collaboration partners to abandon one or more clinical trials altogether.

In addition, some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' drug candidates.

Patient enrollment may be affected by other factors including:

- the severity of the disease under investigation;
- the total size and nature of the relevant patient population;
- the design and eligibility criteria for the clinical trial in question;
- the availability of an appropriate genomic screening test/companion diagnostic;
- the perceived risks and benefits of the drug candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the availability of competing therapies which are undergoing clinical trials;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

Enrollment delays in our clinical trials may result in increased development costs for our drug candidates, which could cause the value of our Company to decline and limit our ability to obtain financing.

Our drug candidates may cause undesirable side effects that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval, if any.

Undesirable side effects caused by our drug candidates could cause us or our collaboration partners to interrupt, delay or halt clinical trials or could cause regulatory authorities to interrupt, delay or halt our clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, NMPA or other regulatory authorities. In particular, as is the case with all oncology drugs, it is likely that there may be side effects, for example, hand-foot syndrome, associated with the use of certain of our drug candidates. Results of our trials could reveal a high and unacceptable severity and prevalence of these or other side effects. In such an event, our trials could be suspended or terminated and the FDA, NMPA or comparable regulatory authorities could order us to cease further development of or deny approval of our drug candidates for some or all targeted indications.

The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Further, our drug candidates could cause undesirable side effects related to off-target toxicity. Many of the currently approved tyrosine kinase inhibitors have been associated with off-target toxicities because they affect multiple kinases. While we believe that the kinase selectivity of our drug candidates has the potential to significantly improve the unfavorable adverse off-target toxicity issues, if patients were to experience off-target toxicity, we may not be able to achieve an effective dosage level, receive approval to market, or achieve the commercial success we anticipate with respect to any of our drug candidates, which could prevent us from ever generating revenue or achieving profitability. Many compounds that initially showed promise in early-stage testing for treating cancer have later been found to cause side effects that prevented further development of the compound.

Clinical trials assess a sample of the potential patient population. With a limited number of patients and duration of exposure, rare and severe side effects of our drug candidates may only be uncovered with a significantly larger number of patients exposed to the drug candidate. If our drug candidates receive regulatory approval and we or others identify undesirable side effects caused by such drug candidates (or any other similar drugs) after such approval, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw or limit their approval of such drug candidates;
- regulatory authorities may require the addition of labeling statements, such as a "boxed" warning or a contra-indication;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way such drug candidates are distributed or administered, conduct additional clinical trials or change the labeling of the drug candidates;
- regulatory authorities may require a Risk Evaluation and Mitigation Strategy plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools;
- we may be subject to regulatory investigations and government enforcement actions;
- we may decide to remove such drug candidates from the marketplace;

- we could be sued and held liable for injury caused to individuals exposed to or taking our drug candidates; and

- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected drug candidates and could substantially increase the costs of commercializing our drug candidates, if approved, and significantly impact our ability to successfully commercialize our drug candidates and generate revenue.

We and our collaboration partners have conducted and intend to conduct additional clinical trials for certain of our drug candidates at sites outside the United States, and the FDA may not accept data from trials conducted in such locations or may require additional U.S.-based trials.

We and our collaboration partners have conducted, currently are conducting and intend in the future to conduct, clinical trials outside the United States, particularly in China where our Oncology/Immunology operations are headquartered as well as in other jurisdictions such as Australia, Japan, South Korea, the United Kingdom and various European countries.

Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of these data is subject to certain conditions imposed by the FDA. For example, the clinical trial must be well designed and conducted by qualified investigators in accordance with current GCPs including review and approval by an independent ethics committee and receipt of informed consent from trial patients. The trial population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. Generally, the patient population for any clinical trial conducted outside of the United States must be representative of the population for which we intend to seek approval in the United States. In addition, while these clinical trials are subject to applicable local laws, FDA acceptance of the data will be dependent upon its determination that the trials also comply with all applicable U.S. laws and regulations. There can be no assurance that the FDA will accept data from trials conducted outside of the United States. If the FDA does not accept the data from our clinical trials conducted outside the United States, it would likely result in the need for additional clinical trials, which would be costly and time-consuming and delay or permanently halt our ability to develop and market these or other drug candidates in the United States.

In addition, there are risks inherent in conducting clinical trials in jurisdictions outside the United States including:

- regulatory and administrative requirements of the jurisdiction where the trial is conducted that could burden or limit our ability to conduct our clinical trials;

- foreign exchange fluctuations;

- manufacturing, customs, shipment and storage requirements;
- cultural differences in medical practice and clinical research; and
- the risk that patient populations in such trials are not considered representative as compared to patient populations in the United States and other markets.

If we are unable to obtain and/or maintain priority review by the NMPA, Fast Track Designation by the FDA or another expedited registration pathway for our drug candidates, the time and cost we incur to obtain regulatory approvals may increase. Even if we receive such approvals, they may not lead to a faster development, review or approval process.

Under the Opinions on Priority Review and Approval for Encouraging Drug Innovation, the NMPA may grant priority review approval to (i) certain drugs with distinctive clinical value, including innovative drugs not sold within or outside China, (ii) new drugs with clinical treatment advantages for AIDS and other rare diseases, and (iii) drugs which have been concurrently filed with the competent drug approval authorities in the United States or E.U. for marketing authorization and passed such authorities' onsite inspections and are manufactured using the same production line in China. Priority review provides a fast track process for drug registration. We have received priority review status for three of our drug candidates – fruquintinib for the treatment of advanced CRC, savolitinib for the treatment of NSCLC and surufatinib for the treatment of advanced NET. We anticipate that we may seek priority review for certain of our other drug candidates in the future.

In the United States, if a drug is intended for the treatment of a serious or life-threatening condition and the drug demonstrates the potential to address unmet medical needs for this condition, we may apply for Fast Track Designation by the FDA. The FDA has broad discretion whether or not to grant this designation, so even if we believe a particular drug candidate is eligible for this designation, we cannot be sure that the FDA would decide to grant it. We have sought and will likely continue to seek Fast Track Designation for some of our drug candidates. For example, in April 2020, the FDA granted Fast Track Designation to surufatinib for both the non-pancreatic and pancreatic NET development programs. Even if we receive Fast Track Designation for a drug candidate, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw Fast Track Designation if it believes that the designation is no longer supported by data from our clinical development program.

A failure to obtain and/or maintain priority review, Fast Track Designation or any other form of expedited development, review or approval for our drug candidates would result in a longer time period to commercialization of such drug candidate, could increase the cost of development of such drug candidate and could harm our competitive position in the marketplace. In addition, even if we obtain priority review, there is no guarantee that we will experience a faster review or approval compared to non-accelerated registration pathways or that a drug candidate will ultimately be approved for sale.

Although we have obtained orphan drug designation for surufatinib for the treatment of pancreatic NETs in the United States, we may not be able to obtain or maintain the benefits associated with orphan drug status, including market exclusivity.

Under the Orphan Drug Act, the FDA may designate a drug as an orphan drug if it is intended to treat a rare disease or condition, which is generally defined as affecting fewer than 200,000 individuals in the United States. We have obtained orphan drug designation from the FDA for surufatinib for the treatment of pancreatic NETs. Generally, if a drug with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the drug may be entitled to a seven-year period of marketing exclusivity, which precludes the FDA from approving another marketing application for the same molecule for the same indication for that time period. We can provide no assurance that another drug will not receive marketing approval prior to our product candidates. Orphan drug exclusivity may be lost if the FDA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition. In addition, even after a drug is granted orphan exclusivity and approved, the FDA can subsequently approve another drug for the same condition before the expiration of the seven-year exclusivity period if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

Even if we receive regulatory approval for our drug candidates, we are subject to ongoing obligations and continued regulatory review, which may result in significant additional expense.

If the FDA, NMPA or a comparable regulatory authority approves any of our drug candidates, we will continue to be subject to extensive and ongoing regulatory requirements. For example, even though the NMPA has granted approval of fruquintinib, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for fruquintinib continue to be subject to the NMPA's oversight. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with current good manufacturing processes.

Any regulatory approvals that we receive for our drug candidates may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase IV clinical trials, and surveillance to monitor the safety and efficacy of the drug. In addition, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained, which would adversely affect our business, prospects and ability to achieve or sustain profitability.

We may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with any of our drugs that receive regulatory approval.

Once a drug is approved by the FDA, NMPA or a comparable regulatory authority for marketing, it is possible that there could be a subsequent discovery of previously unknown problems with the drug, including problems with third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our drug products, it may result in, among other things:

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

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. If we or our collaborators are not able to maintain regulatory compliance, regulatory approval that has been obtained may be lost and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

The incidence and prevalence for target patient populations of our drug candidates are based on estimates and third-party sources. If the market opportunities for our drug candidates are smaller than we estimate or if any approval that we obtain is based on a narrower definition of the patient population, our revenue and ability to achieve profitability will be adversely affected, possibly materially.

Periodically, we make estimates regarding the incidence and prevalence of target patient populations for particular diseases based on various third-party sources and internally generated analysis and use such estimates in making decisions regarding our drug development strategy, including determining indications on which to focus in pre-clinical or clinical trials.

These estimates may be inaccurate or based on imprecise data. For example, the total addressable market opportunity will depend on, among other things, their acceptance by the medical community and patient access, drug pricing and reimbursement. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our drugs, or new patients may become increasingly difficult to identify or gain access to, all of which would adversely affect our results of operations and our business.

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

We are highly dependent on the expertise of the members of our research and development team, as well as the other principal members of our management, including Christian Hogg, our Chief Executive Officer and Director, and Wei-guo Su, Ph.D., our Chief Scientific Officer and Director. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time with three months' prior written notice. We do not maintain "key person" insurance for any of our executives or other employees.

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

We have expanded our footprint and operations in the United States, and we intend to expand our international operations further in the future, but we may not achieve the results that we expect.

In early 2018, we opened our first office in the United States. While we have been involved in clinical and non-clinical development in North America and Europe for over a decade, the activities conducted by our U.S. office will significantly broaden and scale our non-Asian clinical development and international operations. We have significantly expanded, and intend to continue to expand, our U.S. clinical team to support our increasing clinical activities in the United States, Europe, Japan and Australia. In preparation for a potential launch of surufatinib in the United States, we have established a U.S. commercial organization

with the recruitment of a senior leadership team based in New Jersey. Conducting our business in multiple countries subjects us to a variety of risks and complexities that may materially and adversely affect our business, results of operations, financial condition and growth prospects, including, among other things:

- the increased complexity and costs inherent in managing international operations;
- diverse regulatory, financial and legal requirements, and any future changes to such requirements, in one or more countries where we are located or do business;
- country-specific tax, labor and employment laws and regulations;
- applicable trade laws, tariffs, export quotas, custom duties or other trade restrictions and any changes to them;
- challenges inherent in efficiently managing employees in diverse geographies, including the need to adapt systems, policies, benefits and compliance programs to differing labor and other regulations;
- changes in currency rates; and
- regulations relating to data security and the unauthorized use of, or access to, commercial and personal information.

As a result of our growth, our business and corporate structure has become more complex. There can be no assurance that we will effectively manage the increased complexity without experiencing operating inefficiencies or control deficiencies. Significant management time and effort is required to effectively manage the increased complexity of our Company, and our failure to successfully do so could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data, or the Scientific Data Measures, which provides a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given that the term state secret is not clearly defined in the Scientific Data Measures, if and to the extent our research and development of drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for

sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

If we participate in compassionate-use programs, discrepancies among the regulations in different countries may lead to increased risk of adverse drug reactions and serious adverse events arising from the use of our drug candidates.

Compassionate-use programs are regulatory programs that facilitate access to investigational drugs for the treatment of patients with serious or immediately life-threatening diseases or conditions that lack therapeutic alternatives. Currently, there is no unified approach or standard practice to regulate compassionate-use programs or access to investigational drugs across countries. In China, the NMPA and the National Health Commission issued the Promulgation of the Administrative Provisions on Extended Clinical Trials of Medical Devices (for Trial Implementation) on March 14, 2020, with immediate effect, providing a route for patients suffering from life-threatening diseases without existing effective treatments to engage treatment that is yet to be approved for marketing. In the United States, compassionate-use programs are limited to patients who have a life-threatening disease or serious disease or condition, who may gain access to an investigational medical product for treatment outside of clinical trials when no comparable or satisfactory alternative therapy options are available. Additionally, the U.S. Right to Try Act provides a separate pathway for patients with a life-threatening disease or condition who have exhausted all other treatment options and who are unable to participate in clinical trials to access investigational drugs that have passed Phase I clinical trials under a more expedited process.

The regulatory discrepancy for compassionate-use programs among countries may lead to uneven patient entry criteria and protocols for compassionate use programs. This may create increased risk of serious adverse events because of enrolled patients' advanced disease or comorbidities. In addition, because the products in compassionate-use programs are investigational drugs, many of which are still in experimental stages and have not received marketing approval, patients in compassionate-use program may exhibit adverse drug reactions from using these products. If we participate in compassionate-use programs, we may be subject to the risk of enrolled patients exhibiting adverse drug reactions or serious adverse events being produced from the use of our future drug products. Such occurrences can potentially lead to clinical holds of our ongoing clinical trials or complicate the determination of the safety profile of a drug candidate under regulatory review for commercial marketing, or expose us to tort liability. Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs.

RISKS RELATING TO SALES OF OUR INTERNALLY DEVELOPED DRUGS AND OTHER DRUGS

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

The pharmaceutical industry in China is subject to extensive government regulation and supervision. The regulatory framework addresses all aspects of operations in the pharmaceutical industry, including approval, production, distribution, advertising, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs and environmental protection. Violation of applicable laws and regulations may materially and adversely affect our business. In order to manufacture and distribute pharmaceutical products in China, we and our joint ventures are required to:

- obtain a pharmaceutical manufacturing permit for each production facility from the NMPA;
- obtain a drug registration certificate, which includes a drug approval number, from the NMPA for each drug manufactured by us;
- obtain a pharmaceutical distribution permit from the NMPA; and
- renew the pharmaceutical manufacturing permits, the pharmaceutical distribution permits, drug registration certificates, among other requirements.

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

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

For further information regarding government regulation in China and other jurisdictions, see "*Appendix IV – Regulatory Overview and Taxation*."

As a significant portion of the operations of our Other Ventures is conducted through joint ventures, we are dependent on the success of our joint ventures and our receipt of dividends or other payments from our joint ventures for cash to fund our operations and our investments in our joint ventures are subject to liquidity risk.

We are party to joint venture agreements with Shanghai Pharmaceuticals and Guangzhou Baiyunshan, relating to our non-consolidated joint ventures, which together form part of the operations of our Other Ventures. Our equity in the earnings of these non-consolidated joint ventures, net of tax, was US$38.3 million, US$40.6 million and US$79.1 million for the years ended December 31, 2018, 2019 and 2020, respectively, as recorded in our consolidated financial statements. Equity in earnings of Hutchison Baiyunshan for the year ended December 31, 2020 included a one-time gain of US$36.0 million from land compensation for a return of land use rights to the Guangzhou government. As such, our results of operations and financial performance have been, and will continue to be, affected by the financial performance of these joint ventures as well as any other equity investees we have or may have in the future. We may also be required to recognize an impairment charge in our consolidated financial statements if there is a decline in the fair market value of our investments in such businesses below their carrying amounts for whatever reason that is determined to be other-than-temporary. Furthermore, we have consolidated joint ventures with each of Sinopharm and Hain Celestial which accounted for substantially all of our Other Ventures' consolidated revenue for the years ended December 31, 2018, 2019 and 2020.

As a result, our ability to fund our operations and pay our expenses or to make future dividend payments, if any, is largely dependent on the earnings of our joint ventures and the payment of those earnings to us in the form of dividends. Payments to us by our joint ventures will be contingent upon our joint ventures' earnings and other business considerations and may be subject to statutory or contractual restrictions. Each joint venture's ability to distribute dividends to us is subject to approval by their respective boards of directors, which in the case of Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan are comprised of an equal number of representatives from each party. Furthermore, our ability to promptly sell one or more of our interests in our joint ventures in response to changing corporate strategy or economic, financial and investment conditions is limited. The market for such investments can be affected by various factors, such as general economic and market conditions, availability of financing, interest rates and investor demand, many of which are beyond our control. If we determine to sell any of our joint venture investments, we cannot predict if we will be successful or whether any price or other terms offered by a prospective purchaser would be acceptable to us.

Operationally, our joint venture partners have certain responsibilities and/or certain rights to exercise control or influence over operations and decision-making under the joint venture arrangements. Therefore, the success of our joint ventures depends on the efforts and abilities of our joint venture parties to varying degrees. For example, we share the ability to appoint the general manager of our joint venture with Guangzhou Baiyunshan, with each of us having a rotating four-year right, and therefore, our ability to manage the day-to-day operations of this joint venture is more limited. On the other hand, we appoint the general managers of Hutchison

Sinopharm and Shanghai Hutchison Pharmaceuticals pursuant to the respective joint venture agreements governing these entities and therefore oversee the day-to-day management of these joint ventures. However, we still rely on our joint venture partners Sinopharm and Shanghai Pharmaceuticals to provide certain distribution and logistics services. See "– *Risks Relating to Our Dependence on Third Parties – Joint ventures form an important part of our Other Ventures, and our ability to manage and develop the businesses conducted by these joint ventures depends in part on our relationship with our joint venture partners*" for more information.

We may not be successful in building a commercial team to successfully manufacture, sell and market our approved drugs, and we may not be able to generate any revenue from such products.

We have leveraged our experience operating our prescription drugs business to commercialize certain of our approved, internally developed drug candidates in China. We must adapt our know-how to build a specific oncology and/or immunology focused sales and marketing team. As of December 31, 2020, we had an oncology commercial team with about 390 staff in China to support the commercialization of fruquintinib, surufatinib and our other drug candidates, if approved.

There are risks involved in establishing an in-house oncology commercial team. For example, recruiting and/or training a sales force to detail our approved drug candidates is time consuming and could delay any drug launch. Factors that may inhibit our efforts to commercialize our drug candidates include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;

- our inability to effectively manage the expansion of our operations and train additional qualified personnel in the relevant areas of oncology and/or immunology;

- the inability of our sales personnel to obtain access to physicians or educate adequate numbers of physicians who then prescribe any future drugs; and

- the lack of complementary drugs to be offered by our sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines.

In such case, our business, results of operations, financial condition and prospects will be materially and adversely affected.

We face substantial competition in selling our approved, internally developed drugs and the drugs of our Other Ventures.

The marketed drugs developed and sold by our Oncology/Immunology operations and the prescription drugs business which is part of our Other Ventures' operations face substantial competition in the pharmaceutical industry in China, which is characterized by a number of established, large pharmaceutical companies, as well as smaller emerging pharmaceutical companies, engaged in the development, production, marketing or sales of prescription drugs, in particular cardiovascular drugs. The identities of the key competitors with respect to drugs sold by our Oncology/Immunology and Other Ventures operations vary by product and, in certain cases, competitors have greater financial resources than us and may elect to focus these resources on developing, importing or in-licensing and marketing products in the PRC that are substitutes for our products and may have broader sales and marketing infrastructure with which to do so.

Such drugs may compete against products that have lower prices, superior performance, greater ease of administration or other advantages compared to our products. In some circumstances, price competition may drive our competitors to conduct illegal manufacturing processes to lower their manufacturing costs. Increased competition may result in price reductions, reduced margins and loss of market share, whether achieved by either legal or illegal means, any of which could materially and adversely affect our profit margins. We and our joint ventures may not be able to compete effectively against current and future competitors.

If we are not able to maintain and enhance brand recognition of our drugs to maintain a competitive advantage, our reputation, business and operating results may be harmed.

We believe that market awareness of our products sold through our Oncology/Immunology and Other Ventures operations, which include our joint ventures' branded products, such as Baiyunshan and Shang Yao, and the brands of third-party products which are distributed through our joint ventures, has contributed significantly to our success. We also believe that maintaining and enhancing such brands is critical to maintaining our competitive advantage. Although the sales and marketing staff of such businesses will continue to further promote such brands to remain competitive, they may not be successful. If we or our joint ventures are unable to further enhance brand recognition and increase awareness of such products, or are compelled to incur excessive marketing and promotion expenses in order to maintain brand awareness, our business and results of operations may be materially and adversely affected. Furthermore, our results of operations could be adversely affected if the Baiyunshan and Shang Yao brands, or the brands of any other products, or our reputation, are impaired by certain actions taken by our joint venture partners, distributors, competitors or relevant regulatory authorities.

Reimbursement may not be available for the products currently sold through our Oncology/Immunology and Other Ventures operations or our drug candidates in China, the United States or other countries, which could diminish our sales or affect our profitability.

The regulations that govern pricing and reimbursement for pharmaceuticals vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after regulatory approval is granted. In some foreign markets, pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. Furthermore, once marketed and sold, government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. Adverse pricing reimbursement levels may hinder market acceptance of our drug candidates or other products sold by us.

In China, for example, the Ministry of Human Resources and Social Security of the PRC or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the Medicines Catalogue for the National Basic Medical Insurance, Labor Injury Insurance and Childbirth System in China, or the NRDL, or provincial or local medical insurance catalogues for the National Medical Insurance Program, and the category under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those medicines. These determinations are made based on a number of factors, including price and efficacy. Depending on the category under which a drug is classified in the provincial medicine catalogue, a National Medical Insurance Program participant residing in that province can be reimbursed for the full cost of Category A medicine and for the majority of the cost of a Category B medicine. In some instances, if the price range designated by the local or provincial government decreases, it may adversely affect our business and could reduce our total revenue, and if our revenue falls below production costs, we may stop manufacturing certain products. In November 2019, fruquintinib was added to China's NRDL as a Category B medicine.

In addition, in order to access certain local or provincial-level markets, our joint ventures are periodically required to enter into competitive bidding processes for She Xiang Bao Xin pills (the best-selling product of our Shanghai Hutchison Pharmaceuticals joint venture), Fu Fang Dan Shen tablets (one of the best-selling products of our Hutchison Baiyunshan joint venture) and other products with a pre-defined price range. The competitive bidding in effect sets price ceilings for those products, thereby limiting our profitability.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs which may affect reimbursement rates of our drug candidates if approved. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or the Affordable Care Act, was passed, which substantially changes the way health care is financed by both governmental and private insurers. The Affordable Care Act, among other things, establishes a new Medicare Part

D coverage gap discount program, in which, effective 2019, manufacturers must agree to offer 70% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D. In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted.

Modifications to or repeal of all or certain provisions of the Affordable Care Act had been expected based on statements made by former President Trump and certain members of Congress. However, President Biden has indicated that his healthcare policy will build on the Affordable Care Act. We cannot predict the ultimate content, timing or effect of any changes to the Affordable Care Act or other federal and state reform efforts. There is no assurance that federal or state health care reform will not adversely affect our future business and financial results. We expect that additional U.S. state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our drug candidates or additional pricing pressures. We expect that the pharmaceutical industry will experience pricing pressures due to the increasing influence of managed care (and related implementation of managed care strategies to control utilization), additional federal and state legislative and regulatory proposals to regulate pricing of drugs, limit coverage of drugs or reduce reimbursement for drugs, public scrutiny and recent regulatory initiatives to control the price of pharmaceuticals through government negotiations of drug prices in Medicare Part D and importation of cheaper products from abroad.

Moreover, eligibility for reimbursement in the United States does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim U.S. reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by U.S. government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors in the United States often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved drugs that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize drugs and our overall financial condition.

Sales of our generic prescription drugs sold through our Other Ventures rely on the ability to win tender bids for the medicine purchases of hospitals in China.

Our prescription drugs business markets to hospitals in China who may make bulk purchases of a medicine only if that medicine is selected under a government-administered tender process that was initiated in 2018 and aimed at driving consolidation in the fragmented generic prescription drug market in China. Pursuant to this process, major cities bulk-buy certain generic drugs together, forcing companies to bid for contracts and driving down prices. The process was expanded nationwide to cover more cities and drugs in 2019 and 2020. This process, which only applies to generic prescription drugs, may reduce our Other Ventures' product portfolio as some of our third-party generic drug partners may fail to win bids.

Periodically, a bidding process is organized on a provincial or municipal basis. Whether a drug manufacturer is invited to participate in the tender depends on the level of interest that hospitals have in purchasing this drug. The interest of a hospital in a medicine is evidenced by:

- the inclusion of this medicine on the hospital's formulary, which establishes the scope of drug physicians at this hospital may prescribe to their patients, and

- the willingness of physicians at this hospital to prescribe a particular drug to their patients.

We believe that effective marketing efforts are critical in making and keeping hospitals interested in purchasing the prescription drugs sold through our Other Ventures so that we and our joint ventures are invited to submit the products to the tender. Even if we and our joint ventures are invited to do so, competitors may be able to substantially reduce the price of their products or services. If competitors are able to offer lower prices, our and our joint ventures' ability to win tender bids during the hospital tender process will be materially affected, and could reduce our total revenue or decrease our profit.

Counterfeit products could negatively impact our revenue, brand reputation, business and results of operations.

Our products are subject to competition from counterfeit products, especially counterfeit pharmaceuticals which are manufactured without proper licenses or approvals and are fraudulently mislabeled with respect to their content and/or manufacturer. Counterfeiters may illegally manufacture and market products under our or our joint venture's brand names, the brand names of the third-party products we or they sell, or those of our or their competitors. Counterfeit pharmaceuticals are generally sold at lower prices than the authentic products due to their low production costs, and in some cases are very similar in appearance to the authentic products. Counterfeit pharmaceuticals may or may not have the same chemical content as their authentic counterparts. If counterfeit pharmaceuticals illegally sold under our or our joint ventures' brand names or the brand names of third-party products we or they sell result in adverse side effects to consumers, we or our joint ventures may be associated with any negative publicity resulting from such incidents. In addition, consumers may buy counterfeit

pharmaceuticals that are in direct competition with products sold through our Oncology/Immunology and Other Ventures operations, which could have an adverse impact on our revenue, business and results of operations. The proliferation of counterfeit pharmaceuticals in China and globally may grow in the future. Any such increase in the sales and production of counterfeit pharmaceuticals in China, or the technological capabilities of the counterfeiters, could negatively impact our revenue, brand reputation, business and results of operations.

Rapid changes in the pharmaceutical industry may render our Other Ventures' products or our internally developed drugs and drug candidates obsolete.

Future technological improvements by our competitors and continual product developments in the pharmaceutical market may render our and our joint ventures' existing products, our or their third-party licensed products or our drug candidates obsolete or affect our viability and competitiveness. Therefore, our future success will largely depend on our and our joint ventures' ability to:

- improve existing products;
- develop innovative drug candidates;
- diversify the product and drug candidate portfolio;
- license diverse third-party products; and
- develop new and competitively priced products which meet the requirements of the constantly changing market.

If we or our joint ventures fail to respond to this environment by improving our existing products, licensing new third-party products or developing new drug candidates in a timely fashion, or if such new or improved products do not achieve adequate market acceptance, our business and profitability may be materially and adversely affected.

Certain of our joint ventures' principal products involve the cultivation or sourcing of key raw materials including botanical products, and any quality control or supply failure or price fluctuations could adversely affect our ability to manufacture our products and/or could materially and adversely affect our operating results.

The key raw materials used in the manufacturing process of certain of our joint ventures' principal products are medicinal herbs whose properties are related to the regions and climatic conditions in which they are grown. Access to quality raw materials and products necessary for the manufacture of our products is not guaranteed. We rely on a combination of materials grown by our or our joint ventures' entities and materials sourced from third-party growers and suppliers. The availability, quality and prices of these raw materials are dependent on and closely affected by weather conditions and other seasonal factors which have an impact on the

yields of the harvests each year. The quality, in some instances, also depends on the operations of third-party growers or suppliers. There is a risk that such growers or suppliers sell or attempt to sell us or our joint ventures raw materials which are not authentic. If there is any supply interruption for an indeterminate period of time, our joint ventures may not be able to identify and obtain alternative supplies that comply with our quality standards in a timely manner. Any supply disruption could adversely affect our ability to satisfy demand for our products, and materially and adversely affect our product sales and operating results. Moreover, any use by us or our joint ventures of unauthentic materials illegally sold to us by third-party growers or suppliers in our or our joint ventures' products may result in adverse side effects to the consumers, negative publicity, or product liability claims against us or our joint ventures, any of which may materially and adversely affect our operating results.

The prices of necessary raw materials and products may be subject to price fluctuations according to market conditions, and any sudden increases in demand in the case of a widespread illness such as COVID-19, SARS, MERS or avian flu may impact the costs of production. For example, the market price of Banlangen, the main natural raw material in Hutchison Baiyunshan's Banlangen granules, fluctuated significantly in the first two quarters of 2020. We source Banlangen and other necessary raw materials on a purchase order basis and do not have long-term supply contracts in place so that inventory levels can be managed to reduce its risk to price fluctuations; however, we cannot guarantee that we or our joint ventures will be successful in doing so. Raw material price fluctuations could increase the cost to manufacture our products and adversely affect our operating results.

Adverse publicity associated with our Company, our joint ventures or our or their products or third-party licensed products or similar products manufactured by our competitors could have a material adverse effect on our results of operations.

Sales of our and our joint ventures' products are highly dependent upon market perceptions of the safety and quality of such products, including proprietary products and third-party products we and they distribute. Concerns over the safety of biopharmaceutical products manufactured in China could have an adverse effect on the reputation of our industry and the sale of such products, including products manufactured or distributed by us and our joint ventures.

We and our joint ventures could be adversely affected if any of our or our joint ventures' products, third-party licensed products or any similar products manufactured by other companies prove to be, or are alleged to be, harmful to patients. Any negative publicity associated with severe adverse reactions or other adverse effects resulting from patients' use or misuse of our and our joint ventures' products or any similar products manufactured by other companies could also have a material adverse impact on our results of operations. We and our joint ventures have not, to date, experienced any significant quality control or safety problems. If in the future we or our joint ventures become involved in incidents of the type described above, such problems could severely and adversely impact our financial position and reputation.

We are dependent on our joint ventures' production facilities in Shanghai, Guangzhou and Bozhou, China and our manufacturing facility in Suzhou, China for the manufacture of the principal products of our joint ventures and our own drug candidates and products.

The principal products sold by our Other Ventures are mainly produced or expected to be produced at our joint ventures' manufacturing facilities in Shanghai, Guangzhou and Bozhou, China. Our commercial supplies of Elunate (the brand name of fruquintinib in China) and Sulanda (the brand name of surufatinib in China) sold by our Oncology/Immunology operations are manufactured at our manufacturing facility in Suzhou. Until construction of our new manufacturing facility in Shanghai is completed and it receives the requisite government approvals, we have no back-up manufacturing facility for fruquintinib and surufatinib, and our ability to produce such drugs will be negatively impacted if we experience any significant production problems at our Suzhou facility. A significant disruption at our and/or our joint ventures' facilities, even on a short-term basis, could impair our and/or our joint ventures' ability to timely produce and ship products, which could have a material adverse effect on our business, financial position and results of operations.

Our and our joint ventures' manufacturing operations are vulnerable to interruption and damage from natural and other types of disasters, including earthquake, fire, floods, environmental accidents, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our or our joint ventures' business at these facilities would be materially impaired. In addition, the nature of our production and research activities could cause significant delays in our programs and make it difficult for us to recover from a disaster. We and our joint ventures maintain insurance for business interruptions to cover some of our potential losses; however, such disasters could still disrupt our operations and thereby result in substantial costs and diversion of resources.

In addition, our and our joint ventures' production process requires a continuous supply of electricity. We and they have encountered power shortages historically due to restricted power supply to industrial users during summers when the usage of electricity is high and supply is limited or as a result of damage to the electricity supply network. Because the duration of those power shortages was brief, they had no material impact on our or their operations. Interruptions of electricity supply could result in lengthy production shutdowns, increased costs associated with restarting production and the loss of production in progress. Any major suspension or termination of electricity or other unexpected business interruptions could have a material adverse impact on our business, financial condition and results of operations.

We may engage in strategic transactions, including acquisitions, investments, joint ventures or divestitures that may have an adverse effect on our business. If we engage in a strategic transaction, there is no assurance that the transaction will be consummated.

We may pursue transactions as part of our business strategy, including continuing to actively evaluate non-core assets divestment opportunities. For instance, on March 24, 2021, we entered into a sale and purchase agreement with GL Mountrose Investment Two Limited,

a company controlled and managed by GL Capital Group, to sell our entire investment in Hutchison Baiyunshan. See "*Summary – Recent Developments – Recent Disposal*" and "*History and Corporate Structure – Acquisition and Disposal*" for more information.

Acquisitions and investments involve numerous risks such as difficulties in finding suitable partners or acquisition candidates, difficulties in obtaining financing on favorable terms, if at all, the assumption of certain known and unknown liabilities of acquired companies and difficulties in integrating operations, services products and personnel. Divestitures also involve numerous risks. Any divestiture could result in a dilutive impact to our future earnings and significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business and the potential loss of key employees.

We may not complete strategic transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the expected benefits of any transaction. For instance, the disposal of Hutchison Baiyunshan is subject to regulatory approval in China. We may not be successful in managing these or any other significant risks that we encounter if we engage in a strategic transaction. If we are not successful in managing the risks, uncertainties and potential disruptions, a strategic transaction could have a negative impact on our business, results of operations or financial position.

RISKS RELATING TO OUR DEPENDENCE ON THIRD PARTIES

Disagreements with our current or future collaboration partners, the amendment of any collaboration agreement or the termination of any collaboration arrangement, could cause delays in our product development and materially and adversely affect our business.

Our collaborations, including those with our oncology drug partners AstraZeneca and Eli Lilly, and any future collaborations that we enter into may not be successful. Disagreements between parties to a collaboration arrangement regarding clinical development and commercialization matters can lead to delays in the development process or commercializing the applicable drug candidate and, in some cases, termination of the collaboration arrangement. In addition, we or our partners may seek to amend the terms of one or more our collaboration agreements to adjust, among other things, the respective roles of our Company and our collaboration partner as circumstances change. Our interests may not always be aligned with those of our collaboration partners, for instance, we are much smaller than our collaboration partners and because they or their affiliates may sell competing products. This may result in potential conflicts between our collaborators and us on matters that we may not be able to resolve on favorable terms or at all.

Collaborations with pharmaceutical or biotechnology companies and other third parties, including our existing agreements with AstraZeneca and Eli Lilly, are often terminable by the other party for any reason with certain advance notice. Any such termination or expiration would adversely affect us financially and could harm our business reputation. For instance, in

the event one of the strategic alliances with a current collaborator is terminated, we may require significant time and resources to secure a new collaboration partner, if we are able to secure such an arrangement at all. As noted in the following risk factor, establishing new collaboration arrangements can be challenging and time-consuming. The loss of existing or future collaboration arrangements would not only delay or potentially terminate the possible development or commercialization of products we may derive from our technologies, but it may also delay or terminate our ability to test specific target candidates.

We rely on our collaborations with third parties for certain of our drug development activities, and, if we are unable to establish new collaborations when desired on commercially attractive terms or at all, we may have to alter our development and commercialization plans.

Certain of our drug development programs and the potential commercialization of certain drug candidates rely on collaborations, such as savolitinib with AstraZeneca and fruquintinib with Eli Lilly. In addition, we recently entered into collaborations with BeiGene and Inmagene. In the future, we may decide to collaborate with additional pharmaceutical and biotechnology companies for the development and potential commercialization of our other drug candidates.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA, NMPA or similar regulatory authorities outside the United States and China, the potential market for the subject drug candidate, the costs and complexities of manufacturing and delivering such drug candidate to patients, the potential of competing drugs, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative drug candidates or technologies for similar indications that may be available to collaborate on and whether such collaboration could be more attractive than the one with us for our drug candidate. The terms of any additional collaboration or other arrangements that we may establish may not be favorable to us.

We may also be restricted under existing collaboration agreements from entering into future agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

We may not be able to negotiate additional collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of the drug candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and

undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our drug candidates or bring them to market and generate drug revenue.

The third-party vendors upon whom we rely for the supply of the active pharmaceutical ingredients used in some of our drug candidates and drug products are our sole source of supply, and the loss of any of these suppliers could significantly harm our business.

The active pharmaceutical ingredients used in some of our drug candidates and products are supplied to us from third-party vendors. Our ability to successfully develop our drug candidates, and to supply our commercial drugs in quantities sufficient to meet the market demand, depends in part on our ability to obtain the active pharmaceutical ingredients for these drugs in accordance with regulatory requirements and in sufficient quantities for commercialization and clinical testing. We contract with a single supplier to manufacture and supply us with the active pharmaceutical ingredient for fruquintinib for clinical and commercial purposes and are in the process of engaging a second supplier. We have already validated the second supplier's current good manufacturing practice, or cGMP, production processes and submitted an application for its approval to the NMPA. We also contract with a single supplier to manufacture and supply us with the active pharmaceutical ingredient for surufatinib for clinical and commercial purposes. Other than the foregoing, we do not currently have arrangements in place for a contingent or second-source supply of the active pharmaceutical ingredients for fruquintinib or surufatinib or any other active pharmaceutical ingredients used in our drug candidates in the event any of our current suppliers of such active pharmaceutical ingredient cease operations for any reason, which may lead to an interruption in our production and supply of the product.

For all of our drug candidates and products, we aim to identify and qualify a manufacturer to provide such active pharmaceutical ingredient prior to submission of an NDA to the FDA and/or NMPA. We are not certain, however, that our current supply arrangements will be able to meet our demand, either because of the nature of our agreements with third-party suppliers, our limited experience with third-party suppliers or our relative importance as a customer to those suppliers. It may be difficult for us to assess third-party vendors' ability to timely meet our demand in the future based on past performance. While our suppliers have generally met our demand on a timely basis in the past, they may subordinate our needs in the future to their other customers.

Establishing additional or replacement suppliers for the active pharmaceutical ingredients used in our drug candidates and products, if required, may not be accomplished quickly. If we are able to find a replacement supplier, such alternative arrangements would need to be qualified and may require additional regulatory approval, which could result in further delay. While we seek to maintain adequate inventory of the active pharmaceutical ingredients used in our drug candidates and products, any interruption or delay in the supply of components or materials, or our inability to obtain such active pharmaceutical ingredient from alternate

sources at acceptable prices in a timely manner could impede, delay, limit or prevent our development and commercialization efforts, which could harm our business, results of operations, financial condition and prospects.

We and our collaborators rely, and expect to continue to rely, on third parties to conduct certain of our clinical trials for our drug candidates. If these third parties do not successfully carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be harmed.

We do not have the ability to independently conduct large-scale clinical trials. We and our collaboration partners rely, and expect to continue to rely, on medical institutions, clinical investigators, contract laboratories and other third parties, such as CROs, to conduct or otherwise support certain clinical trials for our drug candidates. Nevertheless, we and our collaboration partners (as applicable) will be responsible for ensuring that each clinical trial is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and reliance on CROs will not relieve us of our regulatory responsibilities. For any violations of laws and regulations during the conduct of clinical trials for our drug candidates, we could be subject to warning letters or enforcement action that may include civil penalties up to and including criminal prosecution.

Although we or our collaboration partners design the clinical trials for our drug candidates, CROs conduct most of the clinical trials. As a result, many important aspects of our development programs, including their conduct and timing, are outside of our direct control. Our reliance on third parties to conduct clinical trials results in less control over the management of data developed through clinical trials than would be the case if we were relying entirely upon our own staff. Communicating with outside parties can also be challenging, potentially leading to mistakes as well as difficulties in coordinating activities. Outside parties may:

- have staffing difficulties;
- fail to comply with contractual obligations;
- experience regulatory compliance issues;
- undergo changes in priorities or become financially distressed; or
- form relationships with other entities, some of which may be our competitors.

These factors may materially and adversely affect the willingness or ability of third parties to conduct our and our collaboration partners' clinical trials and may subject us or them to unexpected cost increases that are beyond our or their control.

If any of our and our collaboration partners' relationships with these third-party CROs terminate, we or they may not be able to enter into arrangements with alternative CROs on reasonable terms or at all. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, any clinical trials such CROs are associated with may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our drug candidates. As a result, we believe that our financial results and the commercial prospects for our drug candidates in the subject indication would be harmed, our costs could increase and our ability to generate revenue could be delayed.

We, our collaboration partners or our CROs may fail to comply with the regulatory requirements pertaining to clinical trials, which could result in fines, adverse publicity and civil or criminal sanctions.

We, our collaboration partners and our CROs are required to comply with regulations for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate, and that the trial patients are adequately informed of the potential risks of participating in clinical trials and their rights are protected. These regulations are enforced by the FDA, the NMPA and comparable foreign regulatory authorities for any drugs in clinical development. In the United States, the FDA regulates GCP through periodic inspections of clinical trial sponsors, principal investigators and trial sites. If we, our collaboration partners or our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require additional clinical trials before approving the marketing applications for the relevant drug candidate. We cannot assure you that, upon inspection, the FDA or other applicable regulatory authority will determine that any of the future clinical trials for our drug candidates will comply with GCPs. In addition, clinical trials must be conducted with drug candidates produced under applicable manufacturing regulations. Our failure or the failure of our collaboration partners or CROs to comply with these regulations may require us or them to repeat clinical trials, which would delay the regulatory approval process and could also subject us to enforcement action. We are also required to register applicable clinical trials and post certain results of completed clinical trials on a U.S. government-sponsored database, ClinicalTrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil sanctions.

Joint ventures form an important part of our Other Ventures, and our ability to manage and develop the businesses conducted by these joint ventures depends in part on our relationship with our joint venture partners.

We are party to joint venture agreements with each of Shanghai Pharmaceuticals, Guangzhou Baiyunshan, Sinopharm and Hain Celestial, which together form an important part of our Other Ventures. Under these arrangements, our joint venture partners have certain operational responsibilities and/or certain rights to exercise control or influence over operations and decision-making.

Our equity interests in these operating companies do not provide us with the unilateral ability to control actions which require shareholder approval. In addition, under the joint venture contracts for these entities, the consent of the directors nominated by our joint venture partners is required for the passing of resolutions in relation to certain matters concerning the operations of these companies. As a result, although we participate in the management, and in the case of Hutchison Sinopharm, Hutchison Hain Organic and Shanghai Hutchison Pharmaceuticals nominate the management and run the day-to-day operations, we may not be able to secure the consent of our joint venture partners to pursue activities or strategic objectives that are beneficial to or that facilitate our overall business strategies. With respect to Hutchison Baiyunshan, which is a jointly controlled and managed joint venture where we share the ability to appoint the general manager with our partner Guangzhou Baiyunshan, with each of us having a rotating four-year right, we rely on our relationship with our partner, and our ability to manage the day-to-day operations of this joint venture is more limited. To the extent Guangzhou Baiyunshan does not, for example, diligently perform its responsibilities with respect to any aspect of Hutchison Baiyunshan's operations, agree with or cooperate in the implementation of any plans we may have for Hutchison Baiyunshan's business in the future or take steps to ensure that Hutchison Baiyunshan is in compliance with applicable laws and regulations, our business and ability to comply with legal, regulatory and financial reporting requirements which will apply to us as a public company, as well as the results of this joint venture, could be materially and adversely affected. Furthermore, disagreements or disputes which arise between us and our joint venture partners may potentially require legal action to resolve and hinder the smooth operation of our Other Ventures or adversely affect our financial condition, results of operations and prospects.

We are relying on third parties to construct our new manufacturing facility in Shanghai. Any delays in completing and receiving regulatory approvals for our new Shanghai facility, or any disruptions to the third parties' performance of their obligations, could reduce or restrict our production capacity for the drug candidates used in our clinical trials or our commercial supply for any drug candidates which are approved.

We are contracting with third parties to construct our new manufacturing facility in Shanghai. The new facility is expected to be a 55,000 square meter large-scale facility with a production capacity estimated to be five times that of our existing manufacturing plant in Suzhou. The first phase will be primarily for small molecule production, with production capacity expected to be able to produce 250 million tablets and capsules per year. The second

phase is expected to include expansion into large molecule production. Third parties will be responsible for the construction of the buildings, including the production lines and other production facilities within such buildings.

We cannot assure you that we will not experience any disruptions to the third parties' performance of their obligations, and there could be delays in completing and receiving regulatory approvals for our new manufacturing facility. If the construction of our manufacturing facility or our production lines encounter unanticipated delays or incur additional expenses than expected, if regulatory evaluation and/or approval of our new manufacturing facility is delayed, or if our third-party contracts are terminated or adversely affected, our manufacturing capacity of our drug candidates may be limited, which would delay or limit our development and commercialization activities and our opportunities for growth. Cost overruns associated with constructing or maintaining our Shanghai facility could also require us to raise additional funds from other sources. Any disruption that impedes our ability to manufacture our drug candidates in a timely manner could materially adversely affect our business, financial condition, results of operations and prospects.

We and our joint ventures rely on our distributors for logistics and distribution services.

We and our joint ventures rely on distributors to perform certain operational activities, including invoicing, logistics and delivery of the products we and they market to the end customers. Because we and our joint ventures rely on third-party distributors, we have less control than if we handled distribution logistics directly and can be adversely impacted by the actions of our distributors. Any disruption of our distribution network, including failure to renew existing distribution agreements with desired distributors, could negatively affect our ability to effectively sell our products and materially and adversely affect the business, financial condition and results of operations of us and our joint ventures.

There is no assurance that the benefits currently enjoyed by virtue of our association with CK Hutchison will continue to be available.

Historically, we have relied on the reputation and experience of, and support provided by, our founding shareholder, a wholly-owned subsidiary of CK Hutchison, to advance our joint ventures and collaborations in China and elsewhere. CK Hutchison is a Hong Kong-based, multinational conglomerate with operations in about 50 countries. CK Hutchison was interested in approximately 44.66% of our total outstanding share capital as of the Latest Practicable Date. We believe that CK Hutchison group's reputation in China has given us an advantage in negotiating collaborations and obtaining opportunities.

We also benefit from sharing certain services with the CK Hutchison group including, among others, legal and regulatory services, company secretarial support services, tax and internal audit services, participation in the CK Hutchison group's pension, medical and insurance plans, participation in the CK Hutchison group's procurement projects with third-party vendors/suppliers, other staff benefits and staff training services, company functions and activities and operation advisory and support services. We pay a management fee

to an affiliate of CK Hutchison for the provision of such services. In each of the years ended December 31, 2018, 2019 and 2020, we paid a management fee of approximately US$0.9 million, US$0.9 million and US$1.0 million respectively. In addition, we benefit from the fact that two retail chains affiliated with the CK Hutchison group, PARKnSHOP and Watsons, sell certain of our Other Ventures' products in their stores throughout Hong Kong and in other Asian countries. For the years ended December 31, 2018, 2019 and 2020, sales of our products to members of the CK Hutchison group amounted to US$8.3 million, US$7.6 million and US$5.5 million, respectively.

Our business also depends on certain intellectual property rights licensed to us by the CK Hutchison group. See "*– Risks Relating to Intellectual Property – We and our joint ventures are dependent on trademark and other intellectual property rights licensed from others. If we lose our licenses for any of our products, we or our joint ventures may not be able to continue developing such products or may be required to change the way we market such products*" for more information on risks associated with such intellectual property licensed to us.

There can be no assurance the CK Hutchison group will continue to provide the same benefits or support that they have provided to our business historically. Such benefit or support may no longer be available to us, in particular, if CK Hutchison's ownership interest in our Company significantly decreases in the future.

OTHER RISKS AND RISKS RELATING TO DOING BUSINESS IN CHINA

The COVID-19 pandemic and other adverse public health developments could materially and adversely affect our business.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was reported and has since spread around the world. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. In response to the pandemic, many governments around the world have implemented a variety of measures to reduce the spread of COVID-19, including travel restrictions and bans, instructions to residents to practice social distancing, quarantine advisories, shelter-in-place orders and required closures of non-essential businesses. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets.

The continued COVID-19 pandemic and other adverse public health developments could adversely impact our operations, given the impact they may have on the manufacturing and supply chain, our sales and marketing and clinical trial operations and those of our collaboration partners, and the ability to advance our research and development activities and pursue development of any of our drug candidates, each of which could have an adverse impact on our business and our financial results. For instance, our clinical studies have encountered some limitations to patient visits for screening, treatment and clinical assessment. In addition, our prescription drug sales teams have seen some short-term limitations on conducting normal operations. The ultimate impact of the current COVID-19 pandemic, or any other adverse public health development, is highly uncertain and will depend on future developments that

cannot be predicted with confidence, such as the duration of the outbreak and the effectiveness of actions to contain and treat COVID-19. Although, as of the Latest Practicable Date, we do not expect any material impact on our long-term activity, we do not yet know the full extent of potential delays or impacts on our business, our clinical trials, our research programs, healthcare systems or the global economy as a whole, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks related to our management of the medical data of subjects enrolled in our clinical trials and other personal or sensitive information.

We routinely receive, collect, generate, store, process, transmit and maintain medical data, treatment records and other personal details of the subjects enrolled in our clinical trials, along with other personal or sensitive information. As such, we are subject to the relevant local, state, national and international data protection and privacy laws, directives regulations, and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate and conduct our clinical trials. We are also subject to contractual obligations regarding the processing of personal data. Legal requirements regarding data protection and privacy continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance. Failure to comply with any of these laws could result in enforcement action against us, including investigations, civil and criminal enforcement action, fines, imprisonment of company officers and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. We have established procedures to protect the confidentiality of medical records and personal data of subjects enrolled in our clinical trials. Access to clinical trial data has been strictly limited to authorized personnel only according to the relevant rules and regulations. External parties involved in clinical trials are also required to comply with all relevant data protection and confidentiality requirements. Data are to be used only for the intended use, as agreed by the patients and consistent with the patients' informed consent form. While we have adopted security policies and measures to protect our proprietary data and patients' privacy, personal patient information could be subject to leaks caused by hacking activities, human error, employee misconduct or negligence or system breakdown. We also cooperate with third parties including collaboration partners, principal investigators, hospitals, CROs and other third-party contractor and consultants for our clinical trials and operations. Any leakage or abuse of patient data by our third-party partners may be perceived by the patients as a result of our failure. Furthermore, any change in applicable laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure or perceived failure by us to

prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personally identifiable information or other patient data, could cause our customers to lose trust in us and could expose us to legal claims.

There are numerous U.S. federal and state laws and regulations related to the privacy and security of personal information. In particular, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, establish privacy and security standards that limit the use and disclosure of individually identifiable health information (known as "protected health information") and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. Determining whether protected health information has been handled in compliance with applicable privacy standards and our contractual obligations can require complex factual and statistical analyses and may be subject to changing interpretations. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, and whenever possible contractually require third-party partners to do the same, our information technology and infrastructure and those of our third-party partners may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise those networks and the information stored there could be accessed by unauthorized parties, manipulated, publicly disclosed, lost or stolen. Any such access, breach, or other loss of information relating to our information technology and infrastructure or that of our third-party partners may subject us to liability including legal claims or proceedings and liability under federal or state laws that protect the privacy of personal information, such as the HIPAA, the Health Information Technology for Economic and Clinical Health Act, and regulatory penalties. If we or a third-party partner suffers a breach, we may need to send breach notifications to affected individuals and, if 500 or more individuals were affected, to the Secretary of the Department of Health and Human Services. Breach notifications may separately be required under applicable state breach notification laws, which may include notifications to affected individuals, and for extensive breaches, to the media, credit reporting agencies, and/or State Attorneys General. Such notices could harm our reputation and our ability to compete and could potentially attract enforcement scrutiny from governmental authorities.

Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, the PRC Cyber Security Law, which became effective in June 2017, created China's first national-level data protection for "network operators", which may include all organizations in China that provide services over the internet or another information network. Drafts of some of these measures have now been published, including the Data Security Management Measures (Draft for Comments) published in May 2019, and Measures on Security Assessment for Individual Information Cross-border Transfer (Draft for Comments) in June 2019, which may, upon enactment, require security review before transferring human health-related data out of China. On October 21, 2020, the full text of the draft Law on Personal Information Protection was

released, which applies to any processing of personal information of a natural person within the territory of the PRC, regardless of nationality, and which is accompanied by hefty fines for non-compliance. The draft law applies extraterritorially in certain contexts, including where the processing of personal information is intended to serve the purpose of providing products or services to individuals residing within the PRC or of analyzing and assessing the behaviors of individuals residing within the territory of the PRC. In addition, certain industry-specific laws and regulations affect the collection and transfer of personal data in China. The Interim Measures for the Administration of Human Genetic Resources and implementation guidelines issued by the Ministry of Science and Technology and Ministry of Health, for example, require approval from the Human Genetic Resources Administration of China before entering into a definitive contract where human genetic resources, or HGR, are involved in any international collaborative project and additional approval for any export or cross-border transfer of the HGR samples or associated data. The Regulations of the PRC on the Administration of Human Genetic Resources, which became effective and implemented on July 1, 2019, further stipulate, however, that no approval is required for "international collaboration in clinical trials" that do not involve the export of HGR materials. However, the two parties shall file the type, quantity and usage of the HGR to be used with the administrative department of science and technology under the State Council before clinical trials. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices, potentially resulting in confiscation of HGR samples and associated data and administrative fines.

Our clinical trial programs may implicate European data privacy laws, including the General Data Protection Regulation, or the GDPR, and local laws further implementing or supplementing the GDPR. The GDPR implements more stringent operational requirements for processors and controllers of personal data including requirements for such companies to be able to ensure and be able to demonstrate compliance with the GDPR. If our or our third-party partners' privacy or data security measures fail to comply with the GDPR requirements, we may be subject to litigation, regulatory investigations, enforcement notices requiring us to change the way we use personal data and/or fines of up to 20 million Euros or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. In addition to statutory enforcement, non-compliance can lead to compensation claims by affected individuals, negative publicity and a potential loss of business. We are also subject to European laws on personal data export, as we may transfer personal data from the E.U. to other jurisdictions which are not considered by the European Commission to offer "adequate" protection of personal data (such as Hong Kong or the United States). Such transfers need to be legitimized by a valid transfer mechanism under the GDPR. On July 16, 2020, the Court of Justice of the E.U., or CJEU, unexpectedly declared that the EU-US Privacy Shield Framework is no longer a valid mechanism to transfer personal data from the EU to the United States. It also concluded that the European Commission's Standard Contractual Clauses for the transfer of personal data to data processors outside of the EU remain valid, but that companies must carry out assessments of the laws of the third countries to which personal data is exported, and (where an adequate level of protection cannot be assured) may need to supplement the Standard Contractual Clauses with additional protective measures. This decision has created uncertainty around how organizations can comply with the GDPR when transferring EU data to the United

States as well as other third countries. These changes could require us to make operational changes and could increase costs and may lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity that could have an adverse effect on our business.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, penalties, judgments and negative publicity. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and reputational damage. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Product liability claims or lawsuits could cause us, our collaborators or our joint ventures to incur substantial liabilities.

We, our collaborators and our joint ventures face an inherent risk of product liability exposure related to the use of our drug candidates in clinical trials, sales of our or our joint ventures' products or the products we or they license from third parties. If we, our collaborators and our joint ventures cannot successfully defend against claims that the use of such drug candidates in our clinical trials or any products sold by us or our joint ventures, including fruquintinib, surufatinib and/or any of our drug candidates which receive regulatory approval, caused injuries, we, our collaborators and our joint ventures could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for our and our joint ventures' products;
- significant negative media attention and reputational damage;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue; and
- the inability to commercialize any drug candidates that we may develop.

Our principal insurance policies cover product liability for fruquintinib, surufatinib, certain prescription drugs and health supplements, property loss due to accidents or natural disasters and adverse events in clinical trials. Existing PRC laws and regulations do not require us, our collaborators or our joint ventures to have, nor do we or they maintain, liability insurance to cover product liability claims except with respect to fruquintinib, surufatinib, certain prescription drugs and health supplements and liability with respect to our oncology and immunology clinical trials. Any litigation might result in substantial costs and diversion of resources. While we maintain liability insurance for clinical trials and products, this insurance may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we or our collaborators develop.

We and our joint ventures may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act, the Bribery Act 2010 of the United Kingdom, or U.K. Bribery Act, and Chinese anti-corruption laws, and any determination that we have violated these laws could have a material adverse effect on our business or our reputation.

In the day-to-day conduct of our business, we and our joint ventures are in frequent contact with persons who may be considered government officials under applicable anti-corruption, anti-bribery and anti-kickback laws, which include doctors at public hospitals in China and elsewhere. Therefore, we and our joint ventures are subject to risk of violations under the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other laws in the countries where we do business. We and our joint ventures have operations, agreements with third parties and we and our joint ventures make most of our sales in China. The PRC laws and regulations also strictly prohibit bribery of government officials. Our and our joint ventures' activities in China create the risk of unauthorized payments or offers of payments by the directors, employees, representatives, distributors, consultants or agents of our Company or our joint ventures, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our and our joint ventures' employees. We have implemented and adopted policies designed by the R&D-based Pharmaceutical Association Committee, an industry association representing approximately 40 global biopharmaceutical companies, to ensure compliance by us and our joint ventures and our and their directors, officers, employees, representatives, distributors, consultants and agents with the anti-corruption laws and regulations. We cannot assure you, however, that our existing safeguards are sufficient or that our or our joint ventures' directors, officers, employees, representatives, distributors, consultants and agents have not engaged and will not engage in conduct for which we may be held responsible, nor can we assure you that our business partners have not engaged and will not engage in conduct that could materially affect their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, reputation, financial condition, cash flows and results of operations.

Ensuring that our and our joint ventures' future business arrangements with third parties comply with applicable laws could also involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our or our joint ventures' operations were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment and exclusion from government funded healthcare programs, any of which could substantially disrupt our operations. If the physicians, hospitals or other providers or entities with whom we and our joint ventures do business are found not to be in compliance with applicable laws, they may also be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

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

We and our joint ventures are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemical materials. Our operations also produce hazardous waste products. We and our joint ventures are therefore subject to PRC laws and regulations concerning the discharge of waste water, gaseous waste and solid waste during our manufacturing processes. We and our joint ventures are required to establish and maintain facilities to dispose of waste and report the volume of waste to the relevant government authorities, which conduct scheduled or unscheduled inspections of our facilities and treatment of such discharge. We and our joint ventures may not at all times comply fully with environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligation to take corrective measures. We and our joint ventures generally contract with third parties for the disposal of these materials and waste. We and our joint ventures cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from the use of hazardous materials, we and/or our joint ventures could be held liable for any resulting damages, and any liability could exceed our resources. We and/or our joint ventures also could incur significant costs associated with civil or criminal fines and penalties.

Although we and our joint ventures maintain workers' compensation insurance to cover costs and expenses incurred due to on-the-job injuries to our employees and third-party liability insurance for injuries caused by unexpected seepage, pollution or contamination, this insurance may not provide adequate coverage against potential liabilities. 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 unanticipated change in the environmental regulations, we and our joint ventures may need to incur substantial capital expenditures to install, replace,

upgrade or supplement our equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to cease certain aspects of our or our joint ventures' business operations.

We rely significantly on information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cybersecurity incidents, could harm our ability to operate our business effectively.

We are heavily dependent on critical, complex and interdependent information technology systems, including internet-based systems, to support our business processes. Our information technology system security is continuously reviewed, maintained and upgraded in response to possible security breach incidents. Despite the implementation of these measures, our information technology systems and those of third parties with which we contract are vulnerable to damage from external or internal security incidents, breakdowns, malicious intrusions, cybercrimes, including State-sponsored cybercrimes, malware, misplaced or lost data, programming or human errors or other similar events. System failures, accidents or security breaches could cause interruptions in our operations and could result in inappropriately accessed, tampered with, modified or stolen scientific data or a material disruption of our clinical activities and business operations, in addition to possibly requiring substantial expenditures of resources to remedy. Such event could significantly harm our Oncology/Immunology operations, including resulting in the loss of clinical trial data which could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Such events could also lead to the loss of important information such as trade secrets or other intellectual property and could accelerate the development or manufacturing of competing products by third parties. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and our research and development programs and the development of our drug candidates could be delayed.

We have granted, and may continue to grant, options, LTIP awards and other types of awards under our Schemes, which may result in increased share-based compensation expenses and give rise to potential employment related disputes.

We and Hutchison MediPharma have adopted the Schemes for the purpose of granting share-based compensation awards to certain management, Directors, employees and other eligible grantees as a means to retain, incentivize, reward, remunerate, compensate and/or provide benefits to eligible grantees. We recognized share-based compensation expenses of US$10.1 million, US$11.6 million and US$19.6 million for the years ended December 31, 2018, 2019 and 2020, respectively, in our consolidated financial statements in accordance with U.S. GAAP.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. We may re-evaluate the vesting schedules, exercise price or other key terms applicable to the grants under our currently effective Schemes from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following the Global Offering. In addition, we could in the future become involved in disputes or legal proceedings with our employees or former employees on employment related matters (including disputes on the entitlement of options, awards and other share-based compensation or in connection with the employees incentive or compensation arrangements). If such disputes or legal proceedings arise, there can be no assurance that we will prevail in them, and in any event defending against these disputes or legal proceedings could cause us to incur legal and other costs. Any adverse outcome of these disputes or legal proceedings could have a material adverse effect on our reputation, business and results of operations.

The PRC's economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

Substantially all of our and our joint ventures' business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may have a negative effect on us or our joint ventures. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us or our joint ventures. More generally, if the business environment in China deteriorates from the perspective of domestic or international investors, our or our joint ventures' business in China may also be adversely affected.

Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us.

We conduct a substantial portion of our business through our subsidiaries and joint ventures in China. PRC laws and regulations govern our and their operations in China. Our subsidiaries and joint ventures are generally subject to laws and regulations applicable to foreign investments in China, which may not sufficiently cover all of the aspects of our or their economic activities in China. In particular, some laws, particularly with respect to drug price reimbursement, are relatively new, and because of the limited volume of published judicial

decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations are uncertain. Furthermore, recent regulatory reform in the China pharmaceutical industry will limit the number of distributors allowed between a manufacturer and each hospital to one, which may limit the rate of sales growth of Hutchison Sinopharm in future periods. In addition, the implementation of laws and regulations may be in part based on government policies and internal rules that are subject to the interpretation and discretion of different government agencies (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our, our collaboration partners' or our joint ventures' violation of these policies and rules until sometime after the violation. In addition, any litigation in China, regardless of outcome, may be protracted and result in substantial costs and diversion of resources and management attention.

For further information regarding government regulation in China and other jurisdictions, see "*Appendix IV – Regulatory Overview and Taxation*."

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

Substantially all of our revenue is denominated in RMB, which currently is not a freely convertible currency. A portion of our revenue may be converted into other currencies to meet our foreign currency obligations, including, among others, payments of dividends declared, if any, in respect of the Shares. Under China's existing foreign exchange regulations, our subsidiaries and joint ventures are able to pay dividends in foreign currencies or convert RMB into other currencies for use in operations without prior approval from SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take future measures to restrict access to foreign currencies for current account transactions.

Our PRC subsidiaries' and joint ventures' ability to obtain foreign exchange is subject to significant foreign exchange controls and, in the case of amounts under the capital account, requires the approval of and/or registration with PRC government authorities, including the SAFE. In particular, if we finance our PRC subsidiaries or joint ventures by means of foreign debt from us or other foreign lenders, the amount is not allowed to exceed either the cross-border financing risk weighted balance calculated based on a formula by the PBOC or the difference between the amount of total investment and the amount of the registered capital as acknowledged by MOFCOM and SAFE. Further, such loans must be filed with and registered with the SAFE or their local branches and the National Development and Reform Commission (if applicable). If we finance our PRC subsidiaries or joint ventures by means of additional capital contributions, the amount of these capital contributions must first be filed with the relevant government approval authority. These limitations could affect the ability of our PRC subsidiaries and joint ventures to obtain foreign exchange through debt or equity financing.

Our business benefits from certain PRC government tax incentives. The expiration of, changes to, or our PRC subsidiaries/joint ventures failing to continuously meet the criteria for these incentives could have a material adverse effect on our operating results by significantly increasing our tax expenses.

Certain of our PRC subsidiaries and joint ventures have been granted High and New Technology Enterprise, or HNTE, status by the relevant PRC authorities. This status allows the relevant enterprise to enjoy a reduced Enterprise Income Tax, or EIT, rate at 15% on its taxable profits. For the duration of its HNTE grant, the relevant PRC enterprise must continue to meet the relevant HNTE criteria or else the 25% standard EIT rate will be applied from the beginning of the calendar year when the enterprise fails to meet the relevant criteria. We are preparing to renew the HNTE status which expired at the end of 2020 for one of our PRC subsidiaries.

It is unclear whether the HNTE status and tax incentives under the current policy will continue to be granted after the expiration dates. If the rules for such incentives are amended or the status is not renewed, the higher EIT rate may apply resulting in increased tax burden which will impact our business, financial condition, results of operations and growth prospects.

We may be treated as a resident enterprise for PRC Tax purposes under China's Enterprise Income Tax Law and Implementation Rules, or the EIT Law, and our global income may therefore be subject to PRC income tax.

China's EIT Law defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises." Under the EIT Law, an enterprise incorporated outside of China whose "de facto management bodies" are located in China is considered a "resident enterprise" and will be subject to a uniform 25% EIT rate on its global income. On April 22, 2009, China's State Administration of Taxation, or 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, or Circular 82, further specified certain criteria for the determination of what constitutes "de facto management bodies." If all of these criteria are met, the relevant foreign enterprise may be regarded to have its "de facto management bodies" located in China and therefore be considered a resident enterprise in China. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in China; decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (ii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (iii) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. 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.

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 we are treated as a PRC tax resident, dividends distributed by us to our non-PRC shareholders and gains realized from the transfer of the Shares may be subject to PRC tax.

Under the EIT Law, dividends payable by a PRC enterprise to its foreign investor who is a non-PRC resident enterprise, as well as gains on transfers of shares of a PRC enterprise by such a foreign investor will generally be subject to a 10% withholding tax, unless such non-PRC resident enterprise's jurisdiction of tax residency has an applicable tax treaty with the PRC that provides for an exemption or a reduced rate of withholding tax.

If the PRC tax authorities determine that we should be considered a PRC resident enterprise for EIT purposes, any dividends payable by us to our non-PRC resident enterprise shareholders or ADS holders, as well as gains realized by such investors from the transfer of our Shares may be subject to a 10% withholding tax, unless an exemption or reduced rate is available under an applicable tax treaty. Furthermore, if we are considered a PRC resident enterprise for EIT purposes, it is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders. If any PRC tax were to apply to dividends or gains realized by non-PRC individuals, it would generally apply at a rate of up to 20% unless a reduced rate is available under an applicable tax treaty. If dividends payable to our non-PRC resident shareholders, or gains from the transfer of our Shares by such shareholders are subject to PRC tax, the value of your investment in our Shares may decline significantly.

There is uncertainty regarding the PRC withholding tax rate that will be applied to distributions from our PRC subsidiaries and joint ventures to their respective Hong Kong immediate holding companies, which could have a negative impact on our business.

The EIT Law provides that a withholding tax at the rate of 10% is applicable to dividends payable by a PRC resident enterprise to investors who are "non-resident enterprises" (i.e., that do not have an establishment or place of business in the PRC or that have such establishment or place of business but the relevant dividend is not effectively connected with the establishment or place of business). However, pursuant to Article 10.2(1), or the "Article", of 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, or the Arrangement, withholding tax at a reduced rate of 5% may be applicable to dividends payable by PRC resident enterprises to beneficial owners of the dividends that are Hong Kong tax residents if certain requirements are met. There is uncertainty regarding whether the PRC tax authorities will consider us to be eligible to the reduced tax rate. If the Article is deemed not to apply to dividends payable by our PRC subsidiaries and joint ventures to their respective Hong Kong immediate holding companies

that are ultimately owned by us, the withholding tax rate applicable to us will be the statutory rate of 10% instead of 5% which may potentially impact our business, financial condition, results of operations and growth prospects.

We may be treated as a resident enterprise for U.K. corporate tax purposes, and our global income may therefore be subject to U.K. corporation tax.

U.K. resident companies are taxable in the United Kingdom on their worldwide profits. A company incorporated outside of the United Kingdom would be regarded as a resident if its central management and control resides in the United Kingdom. The place of central management and control generally means the place where the high-level strategic decisions of a company are made.

We are an investment holding company incorporated in the Cayman Islands and are admitted to trading on the AIM. Our central management and control resides in Hong Kong, and therefore we believe that we are not a U.K. resident for corporate tax purposes. However, the tax resident status of a non-resident entity could be challenged by the U.K. tax authorities.

If the U.K. tax authorities determine that we are a U.K. tax resident, our profits will be subject to U.K. Corporation Tax rate at 19%, subject to the potential availability of certain exemptions related to dividend income and capital gains. This may have a material adverse effect on our financial condition and results of operations.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions, which could adversely affect our business, financial condition and results of operations.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies. Based on this regulation, PRC residents who are granted shares or share options by a company listed on an overseas stock market under its employee share option or share incentive plan are required to register with the SAFE or its local counterparts by following certain procedures. We and our employees who are PRC residents and individual beneficial owners who have been granted shares or share options have been subject to these rules due to our listing on the AIM and Nasdaq. We have registered the option schemes and the share incentive plan and will continue to assist our employees to register their share options or shares. However, any failure of our PRC individual beneficial owners and holders of share options or shares to comply with the SAFE registration requirements in the future may subject them to fines and legal sanctions and may, in rare instances, limit the ability of our PRC subsidiaries to distribute dividends to us.

In addition, the SAT has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax, or IIT. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold IIT of those employees related to their share options or restricted shares. Although the PRC subsidiaries currently withhold IIT from the PRC employees in connection with their exercise of share options, if they fail to report and pay the tax withheld according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

We may be involved in litigation, legal disputes, claims or administrative proceedings which could be costly and time-consuming to resolve.

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Any litigation or proceeding to which we become a party might result in substantial costs and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Our insurance might not cover claims brought against us, provide sufficient payments to financially cover all of the costs to resolve such claims or continue to be available on terms acceptable to us.

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

We conduct our business primarily through our subsidiaries and joint ventures in China, but we also have significant clinical operations in the United States and other foreign jurisdictions. As a result, China's political relationships with the United States and other jurisdictions may affect our business operations. There can be no assurance that our clinical trial participants or customers will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign jurisdictions. Any tensions and political concerns between China and the relevant foreign jurisdictions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING TO INTELLECTUAL PROPERTY

If we, our joint ventures or our collaboration partners are unable to protect our or their products and drug candidates through intellectual property rights, our competitors may compete directly against us or them.

Our success depends, in part, on our, our joint venture partners' and our collaboration partners' ability to protect our and our joint ventures' and our collaboration partners' products and drug candidates from competition by establishing, maintaining and enforcing our or their intellectual property rights. We, our joint ventures and our collaboration partners seek to protect the products and technology that we and they consider commercially important by filing PRC and international patent applications, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. As of December 31, 2020, we had 235 issued patents, including 19 Chinese patents, 22 U.S. patents and 13 European patents, 155 patent applications pending in the above major market jurisdictions, and six pending Patent Cooperation Treaty, or PCT, patent applications relating to the drug candidates of our Oncology/Immunology operations. For more details, see "*Business – Patents and Other Intellectual Property*." Patents may become invalid and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of originality of the technology. In addition, the PRC and the United States have adopted the "first-to-file" system under which whoever first files an invention patent application will be awarded the patent. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented. Furthermore, the terms of patents are finite. The patents we hold and patents to be issued from our currently pending patent applications generally have a twenty-year protection period starting from the date of application.

We, our joint ventures and/or our collaboration partners may become involved in patent litigation against third parties to enforce our or their patent rights, to invalidate patents held by such third parties, or to defend against such claims. A court may refuse to stop the other party from using the technology at issue on the grounds that our or our joint ventures' patents do not cover the third-party technology in question. Further, such third parties could counterclaim that we or our joint ventures infringe their intellectual property or that a patent we, our joint ventures or our collaboration partners have asserted against them is invalid or unenforceable. In patent litigation, defendant counterclaims challenging the validity, enforceability or scope of asserted patents are commonplace. In addition, third parties may initiate legal proceedings against us or our intellectual property to assert such challenges to our intellectual property rights.

The outcome of any such proceeding is generally unpredictable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Patents may be unenforceable if someone connected with prosecution of the patent withheld relevant information or made a misleading statement during prosecution. It is possible that prior art of which we, our joint ventures or our collaboration partners and the patent examiner were unaware during prosecution exists, which

could render our or their patents invalid. Moreover, it is also possible that prior art may exist that we, our joint ventures or our collaboration partners are aware of but do not believe is relevant to our or their current or future patents, but that could nevertheless be determined to render our patents invalid. The cost to us or our joint ventures of any patent litigation or similar proceeding could be substantial, and it may consume significant management time. We and our joint ventures do not maintain insurance to cover intellectual property infringement.

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

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

Developments in patent law could have a negative impact on our business.

From time to time, authorities in the United States, China and other government authorities may change the standards of patentability, and any such changes could have a negative impact on our business.

For example, in the United States, the Leahy-Smith America Invents Act, or the America Invents Act, which was signed into law in 2011, includes a number of significant changes to U.S. patent law. These changes include a transition from a "first-to-invent" system to a "first-to-file" system, changes to the way issued patents are challenged, and changes to the way patent applications are disputed during the examination process. As a result of these changes, patent law in the United States may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. The U.S. Patent and Trademark Office, or USPTO, has developed new and untested regulations and procedures to

govern the full implementation of the America Invents Act, and many of the substantive changes to patent law associated with the America Invents Act, and, in particular, the first-to-file provisions became effective on March 16, 2013. Substantive changes to patent law associated with the America Invents Act may affect our ability to obtain patents, and if obtained, to enforce or defend them. Accordingly, it is not clear what, if any, impact the America Invents Act will have on the cost of prosecuting our or our joint ventures' patent applications and our or their ability to obtain patents based on our or our joint ventures' discoveries and to enforce or defend any patents that may issue from our or their patent applications, all of which could have a material adverse effect on our business.

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

In addition to the protection afforded by patents and the PRC's State Secret certification, we and our joint ventures rely upon unpatented trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position. We seek to protect our and our joint ventures' proprietary technology and processes, in part, by entering into confidentiality agreements with our and their collaborators, scientific advisors, employees and consultants, and invention assignment agreements with our and their consultants and employees. We and our joint ventures may not be able to prevent the unauthorized disclosure or use of our or their technical know-how or other trade secrets by the parties to these agreements, however, despite the existence generally of confidentiality agreements and other contractual restrictions. If any of the collaborators, scientific advisors, employees and consultants who are parties to these agreements breaches or violates the terms of any of these agreements, we and our joint ventures may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result. Enforcing a claim that a third-party illegally obtained and is using our or our joint ventures' trade secrets, like patent litigation, is expensive and time consuming, and the outcome is unpredictable. In addition, courts in China and other jurisdictions outside the United States are sometimes less prepared or willing to protect trade secrets.

Our and our joint ventures' trade secrets could otherwise become known or be independently discovered by our or their competitors. For example, competitors could purchase our drugs and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If any of our or our joint ventures' trade secrets were to be lawfully obtained or independently developed by a competitor, we and our joint ventures would have no right to prevent them, or others to whom they communicate it, from using that technology or information to compete against us or our joint ventures. If our or our joint ventures' trade secrets are unable to adequately protect our business against competitors' drugs, our competitive position could be adversely affected, as could our business.

We and our joint ventures are dependent on trademark and other intellectual property rights licensed from others. If we lose our licenses for any of our products, we or our joint ventures may not be able to continue developing such products or may be required to change the way we market such products.

We and our joint ventures are parties to licenses that give us or them rights to third-party intellectual property that are necessary or useful for our or our joint ventures' businesses. In particular, the "Hutchison", "Chi-Med", "Hutchison China MediTech" and "Hutchmed" brands, among others, have been licensed to us by Hutchison Whampoa Enterprises Limited, an affiliate of our largest shareholder, Hutchison Healthcare Holdings Limited. Hutchison Whampoa Enterprises Limited grants us a royalty-free, worldwide license to such brands. Under the terms of our brand license agreement, Hutchison Whampoa Enterprises Limited has the right to terminate the license if, among other things, we commit a material breach of the agreement, or within any twelve-month period the aggregate direct or indirect shareholding in our Company held by CK Hutchison is reduced to less than 40%, 30% or 20%. Furthermore, the Elunate trademark is licensed to us in China by our collaboration partner Eli Lilly.

In addition, the "Baiyunshan" brand, which is a key brand used by Hutchison Baiyunshan on its products, has been licensed to Hutchison Baiyunshan by our joint venture partner, Guangzhou Baiyunshan, for use during the 50-year joint venture period; however, Guangzhou Baiyunshan has the right to terminate the license if its interest in Hutchison Baiyunshan falls below 50%. If any such license is terminated, our or Hutchison Baiyunshan's business may be adversely affected.

In some cases, our licensors have retained the right to prosecute and defend the intellectual property rights licensed to us or our joint ventures. We depend in part on the ability of our licensors to obtain, maintain and enforce intellectual property protection for such licensed intellectual property. Such licensors may not successfully maintain their intellectual property, may determine not to pursue litigation against other companies that are infringing on such intellectual property, or may pursue litigation less aggressively than we or our joint ventures would. Without protection for the intellectual property we or our joint ventures license, other companies might be able to offer substantially identical products or branding, which could adversely affect our competitive business position and harm our business prospects.

If our or our joint ventures' products or drug candidates infringe the intellectual property rights of third parties, we and they may incur substantial liabilities, and we and they may be unable to sell these products.

Our commercial success depends significantly on our and our joint ventures' ability to operate without infringing the patents and other proprietary rights of third parties. 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 or our joint ventures are still developing or producing that product. While the success of pending patent applications and applicability of any of them to our or our joint ventures' programs are uncertain, if asserted against us or them, we could incur substantial costs and we or they may have to:

- obtain licenses, which may not be available on commercially reasonable terms, if at all;
- redesign products or processes to avoid infringement; and
- stop producing products using the patents held by others, which could cause us or them to lose the use of one or more of our or their products.

To date, we and our joint ventures have not received any material claims of infringement by any third parties. If a third-party claims that we or our joint ventures infringe its proprietary rights, any of the following may occur:

- we or our joint ventures may have to defend litigation or administrative proceedings that may be costly whether we or they win or lose, and which could result in a substantial diversion of management resources;
- we or our joint ventures may become liable for substantial damages for past infringement if a court decides that our technology infringes a third-party's intellectual property rights;
- a court may prohibit us or our joint ventures from producing and selling our or their product(s) without a license from the holder of the intellectual property rights, which may not be available on commercially acceptable terms, if at all; and
- we or our joint ventures may have to reformulate product(s) so that it does not infringe the intellectual property rights of others, which may not be possible or could be very expensive and time consuming.

Any costs incurred in connection with such events or the inability to sell our or our joint ventures' products may have a material adverse effect on our business and results of operations.

We, our joint ventures and our collaboration partners may not be able to effectively enforce our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our or our joint venture's products or drug candidates in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly in developing countries. Moreover, our, our joint ventures' or our collaboration partners' ability to protect and enforce our or their intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws. Additionally, the patent laws of some foreign countries do not afford intellectual property protection to the same extent as the laws of the

United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, may not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us or our joint ventures to stop the infringement of our or their patents or the misappropriation of our or their other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our or our joint ventures' inventions throughout the world. Competitors may use our or our joint ventures' technologies in jurisdictions where we or they have not obtained patent protection to develop their own drugs and, further, may export otherwise infringing drugs to territories where we or our joint ventures have patent protection, if our, our joint ventures' or our collaboration partners' ability to enforce our or their patents to stop infringing activities is inadequate. These drugs may compete with our drug candidates, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Proceedings to enforce our or our joint ventures' patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our or their efforts and resources from other aspects of our and their businesses. While we intend to protect our intellectual property rights in the major markets for our drug candidates, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our drug candidates. Furthermore, as AstraZeneca is responsible for enforcing our intellectual property rights with respect to savolitinib on our behalf, we may be unable to ensure that such rights are enforced or maintained in all jurisdictions. Accordingly, our efforts to protect the intellectual property rights of our drug candidates in such countries may be inadequate.

We and our joint ventures may be subject to damages resulting from claims that we or they, or our or their employees, have wrongfully used or disclosed alleged trade secrets of competitors or are in breach of non-competition or non-solicitation agreements with competitors.

We and our joint ventures could in the future be subject to claims that we or they, or our or their employees, have inadvertently or otherwise used or disclosed alleged trade secrets or other proprietary information of former employers or competitors. Although we try to ensure that our and our joint ventures' employees and consultants do not improperly use the intellectual property, proprietary information, know-how or trade secrets of others in their work for us or our joint ventures, we or our joint ventures may in the future be subject to claims that we or they caused an employee to breach the terms of his or her non-competition or non-solicitation agreement, or that we, our joint ventures, or these individuals have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of a former employer or competitor. Litigation may be necessary to defend against these claims. Even if we and our joint ventures are successful in defending against these claims, litigation could result in substantial costs and could be a distraction to management. If our or our joint ventures' defenses to these claims fail, in addition to requiring us and them to

pay monetary damages, a court could prohibit us or our joint ventures from using technologies or features that are essential to our or their products or our drug candidates, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. An inability to incorporate such technologies or features would have a material adverse effect on our business, and may prevent us from successfully commercializing our drug candidates. In addition, we or our joint ventures may lose valuable intellectual property rights or personnel as a result of such claims. Moreover, any such litigation or the threat thereof may adversely affect our or our joint ventures' ability to hire employees or contract with independent sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our drug candidates, which would have an adverse effect on our business, results of operations and financial condition.

Patent terms may be inadequate to protect the competitive position of our drug candidates for an adequate amount of time, and the absence of patent linkage, patent term extension and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition for our drug candidates in China.

In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984, generally referred to as the Hatch-Waxman Amendments, and similar legislation in the E.U. and certain other countries, provides the opportunity for limited patent term extension. The Hatch-Waxman Amendments permit a patent-term extension of up to five years to reflect patent term lost during certain portions of product development and the FDA regulatory review process. However, a patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval; only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. The application for the extension must be submitted prior to the expiration of the patent for which extension is sought. A patent that covers multiple products for which approval is sought can only be extended in connection with one of the approvals. Depending upon the timing, duration and specifics of any FDA marketing approval process for any drug candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under the Hatch-Waxman Amendments. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable period or the scope of patent protection afforded could be less than we request. In addition, to the extent we wish to pursue patent term extension based on a patent that we in-license from a third-party, we would need the cooperation of that third-party. If we fail to obtain patent term extensions or if the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and thus our revenue could be reduced. Further, if this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be expected, and our competitive position, business, financial condition, results of operations and prospects could be materially adversely affected.

The Hatch-Waxman Amendments also include a process for patent linkage, pursuant to which the FDA will stay approval of certain follow-on applications during the pendency of litigation between the follow-on applicant and the patent holder or licensee, generally for a period of 30 months. Moreover, the Hatch-Waxman Amendments provide for statutory exclusivities that can prevent submission or approval of certain follow-on marketing applications. For example, federal law provides a five-year period of exclusivity within the United States to the first applicant to obtain approval of a new chemical entity and three years of exclusivity protecting certain innovations to previously approved active ingredients where the applicant was required to conduct new clinical investigations to obtain approval for the modification. Similarly, the U.S. Orphan Drug Act provides seven years of market exclusivity for certain drugs to treat rare diseases, where the FDA designates the drug candidate as an orphan drug and the drug is approved for the designated orphan indication. See "*Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates – Although we have obtained orphan drug designation for surufatinib for the treatment of pancreatic NETs in the United States, we may not be able to obtain or maintain the benefits associated with orphan drug status, including market exclusivity*."

In China, however, there is no currently effective law or regulation providing patent term extension, patent linkage, or data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. Chinese regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension. To be implemented, this framework will require adoption of regulations. On October 17, 2020, the Standing Committee of the National People's Congress published the Patent Law of PRC (Amended in 2020), which will come into effect on June 1, 2021, or the Amended Patent Law. The Amended Patent Law provides that, among other things, the owner of the patent for an innovative new drug that has been granted the marketing authorization in China is entitled to request the Patent Administration Department under the State Council to grant a patent term extension of up to five years, in order to compensate the time required for the regulatory approval for the commercialization of such innovative new drug, provided that the patent term of such innovative new drug shall not exceed a total of 14 years. Furthermore, the PRC government entered into the Economic and Trade Agreement Between the Government of the People's Republic of China and the Government of the United States of America with the U.S. government in January 2020 which provides that the owner of the patent for an innovative new drug that has been granted the marketing authorization in China is entitled to request a patent term extension of up to five years, provided that the patent term of such innovative new drug shall not exceed a total of 14 years from the date of marketing approval in China. If we are unable to obtain patent term extension, or the term of any such extension is less than that we request, our competitors or other third parties may obtain approval of competing products following our patent expiration. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR LISTINGS IN HONG KONG, THE UNITED STATES AND UNITED KINGDOM

Our largest shareholder owns a significant percentage of our Shares, which limits the ability of other shareholders to influence corporate matters.

As of the Latest Practicable Date, HHHL, a subsidiary of CK Hutchison, owned approximately 44.66% of our issued Shares and immediately following the completion of the Global Offering is expected to own approximately 39.18% or 38.48% of our issued Shares (assuming the Over-allotment Option is not exercised or the Over-allotment Option is exercised in full, respectively). Immediately upon the completion of the Global Offering, CK Hutchison, through CKHGI, HWCL and HHHL, is expected to be interested in 39.19% or 38.48% of our issued Shares (assuming the Over-allotment Option is not exercised or the Over-allotment Option is exercised in full, respectively). Accordingly, HHHL can influence the outcome of any corporate transaction or other matter submitted to shareholders for approval, and the interests of HHHL may differ from the interests of our other shareholders. Under our Articles of Association, certain matters, such as amendments to our Memorandum and Articles of Association, require the approval of not less than three-fourths of votes cast by such shareholders as, being entitled so to do, vote in person (or, in the case of such shareholders as are corporations, by their respective duly authorized representative) or by proxy. Therefore, HHHL's approval will be required to achieve any such threshold. In addition, HHHL has had, and may continue in the future to have, the ability to influence our management and policies.

We may be at a risk of securities litigation.

Historically, securities litigation, particularly class action lawsuits brought in the United States, have often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies have experienced significant share price volatility in recent years. If we were to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our business, the price of the Shares could decline.

The trading market for the Shares will rely in part on the research and reports that industry or financial analysts publish about us or our business. We may not be able to maintain continuous research coverage by industry or financial analysts. If one or more of the analysts covering our business downgrade their evaluations of our Shares, the price of our Shares could decline. If one or more of these analysts cease to cover our Shares, we could lose visibility in the market for our Shares, which in turn could cause our Share price to decline.

Fluctuations in the value of the RMB may have a material adverse effect on your investment.

The value of the RMB against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. It is expected that China may further reform its exchange rate system in the future.

Significant revaluation of the RMB may have a material adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms regardless of any underlying change in our business or results of operations. In addition, our operating transactions and assets and liabilities in the PRC are mainly denominated in RMB. Such amounts are translated into U.S. dollars for purpose of preparing our consolidated financial statements, with translation adjustments reflected in accumulated other comprehensive income/(loss) in shareholders' equity. We recorded a foreign currency translation loss of US$6.6 million and US$4.3 million and a foreign currency translation gain of US$9.5 million for the years ended December 31, 2018, 2019 and 2020, respectively.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency.

We may in the future lose our foreign private issuer status under U.S. securities laws, which could result in significant additional costs and expenses.

We are a foreign private issuer as defined in the U.S. Securities Act, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the U.S. Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2021. We would lose our foreign private issuer status if, for example, more than 50% of our Shares are directly or indirectly held by residents of the United States on June 30, 2021 and we fail to meet additional requirements necessary to maintain our foreign private issuer status. If we lose our foreign private issuer status on this date, we will be required to file with the SEC periodic

reports and registration statements on U.S. domestic issuer forms beginning on January 1, 2022, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the U.S. Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the Nasdaq listing rules. As a U.S.-listed public company, should we lose our foreign private issuer status, we will incur significant additional legal, accounting and other expenses that we would not incur as a foreign private issuer.

Our audit report and the audit reports of our non-consolidated joint ventures are prepared by auditors who are not inspected by the PCAOB. In addition, various legislative and regulatory developments related to U.S.-listed China-based companies due to lack of PCAOB inspection and other developments may have a material adverse impact on our listing and trading in the U.S. and the trading prices of our ADSs and Shares. We could be delisted from the Nasdaq if the PCAOB continues to be unable to inspect our independent registered public accounting firm for three consecutive years.

Our auditor and the auditors for our non-consolidated joint ventures are registered with the PCAOB. Pursuant to laws in the United States, the PCAOB has authority to conduct regular inspections over independent registered public accounting firms registered with the PCAOB to assess their compliance with the applicable professional standards. Our auditor is located in Hong Kong, a special administrative region of China, a jurisdiction where the PCAOB is currently unable to conduct full inspections without the approval of the Chinese authorities. The auditors of our non-consolidated joint ventures are located in China. As a result, we understand that our auditor and the auditors for our non-consolidated joint ventures are not currently inspected by the PCAOB.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our auditor and the auditors of our non-consolidated joint ventures. As a result, we and investors in our securities are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of the audit procedures or quality control procedures of our auditor and the auditors of our non-consolidated joint ventures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC. The PCAOB continued to discuss with the CSRC and the PRC Ministry of Finance on joint inspections in the PRC of PCAOB-registered audit firms that provide auditing services to Chinese companies that trade on U.S. stock exchanges. In

December 2018, the SEC and the PCAOB issued a joint statement on regulatory access to audit and other information internationally that cites the ongoing challenges faced by them in overseeing the financial reporting of companies listed in the United States with operations in China, the absence of satisfactory progress in discussions on these issues with Chinese authorities and the potential for remedial action if significant information barriers persist. In April 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risks of insufficient disclosures from companies in many emerging markets, including China, compared to those from U.S. domestic companies. In discussing the specific issues related to these risks, the statement again highlighted the PCAOB's inability to inspect audit work and practices of accounting firms in China with respect to U.S. reporting companies. In June 2020, the former President Trump issued a memorandum ordering the President's Working Group on Financial Markets, or the PWG, to submit a report to the President within 60 days of the memorandum that includes recommendations for actions that can be taken by the executive branch and by the SEC or the PCAOB on Chinese companies listed on U.S. stock exchanges and their audit firms. In August 2020, the PWG released the report. In particular, with respect to jurisdictions that do not grant the PCAOB sufficient access to fulfill its statutory mandate, or NCJs, the PWG recommended that enhanced listing standards be applied to companies from NCJs for seeking initial listing and remaining listed on U.S. stock exchanges. Under the enhanced listing standards, if the PCAOB does not have access to work papers of the principal audit firm located in a NCJ for the audit of a U.S.-listed company as a result of governmental restrictions, the U.S.-listed company may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines that it has sufficient access to the firm's audit work papers and practices to inspect the co-audit; there is currently no legal framework under which such a co-audit may be conducted for China-based companies. The report recommended a transition period until January 1, 2022 before the new listing standards apply to companies already listed on U.S. stock exchanges. Under the PWG recommendations, if we fail to meet the enhanced listing standards before January 1, 2022, we could face de-listing from the Nasdaq, deregistration from the SEC and/or other risks, which may materially and adversely affect, or effectively terminate, our ADS trading in the United States. There were recent media reports about the SEC's proposed rulemaking in this regard. It is uncertain whether the PWG recommendations will be adopted, in whole or in part, and the impact of any new rule on us cannot be estimated at this time.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of Congress that would require the SEC to maintain a list of issuers for which the PCAOB is not able to inspect or investigate an auditor's report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges Act, or EQUITABLE, prescribes increased disclosure requirements for such issuers and, beginning in 2025, the delisting from national securities exchanges such as Nasdaq of issuers included for three consecutive years on the SEC's list. On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act, or the Act. The Act was approved by the U.S. House of Representatives on December 2, 2020. The Act was signed into law by the President of the United States on December 18, 2020. In essence, the Act requires the SEC to prohibit foreign companies from listing securities on U.S. securities exchanges if a company retains a

foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the Act. We will be required to comply with these rules if the SEC identifies us as having a "non-inspection" year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the Act, including the listing and trading prohibition requirements described above. On May 13, 2021, the PCAOB proposed a new rule, PCAOB Rule 6100, *Board Determinations Under the Holding Foreign Companies Accountable Act*, to provide a framework for its determinations under the Act that the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. The enactment of the Act and any additional rulemaking efforts to increase U.S. regulatory access to audit information in China could cause investor uncertainty for affected SEC registrants, including us, the market price of our securities could be materially adversely affected, and we could be delisted from Nasdaq if we are unable to meet the PCAOB inspection requirement in time.

The listings of the Shares in multiple venues may adversely affect the liquidity and value of the Shares.

Our ADSs continue to be listed on Nasdaq, and our Shares continue to be admitted to trading on the AIM. The listing of the Shares on the Stock Exchange and the AIM and the ADSs on Nasdaq may reduce the liquidity of these securities in one or each of these markets and may adversely affect the development of an active trading market for the Shares in Hong Kong. The price of the Shares could also be adversely affected by trading on Nasdaq and the AIM. We may also seek further listings on other stock exchanges such as the Shanghai Stock Exchange, which could further affect the liquidity and value of the Shares. Furthermore, the Shares trade on the Stock Exchange largely in electronic book-entry form. However, the ADSs are backed by physical ordinary share certificates, and the depositary for our ADS program is unable to accept book-entry interests into its custody in order to issue ADSs. As a result, if a holder of the Shares wishes to deposit the Shares into the ADS program and hold ADSs for trading on Nasdaq or vice versa, the issuance and cancellation process may be longer than if the depositary could accept such book-entry interests.

We do not currently intend to pay dividends on our securities, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of the Shares.

We have never declared or paid any dividends on our Shares. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on the Shares at least in the near term, and the success of an investment in the Shares will depend upon any future appreciation in its value. Consequently, investors may need to sell all or part of their holdings of the Shares after price appreciation, which may never occur, to realize any future gains on their investment. There is no guarantee that the Shares will appreciate in value or even maintain the price at which our shareholders have purchased the Shares.

The trading prices of the Shares may be volatile, which could result in substantial losses to you.

The market prices of our Shares and ADSs have been volatile. From January 1, 2021 to June 11, 2021, the closing sale price of our Shares ranged from a high of GBP5.24 to a low of GBP3.52, and the closing sale price of our ADSs ranged from a high of US$36.80 to a low of US$23.70.

The market price for our Shares is likely to be highly volatile and subject to wide fluctuations in response to factors, including the following:

- announcements of competitive developments;
- regulatory developments affecting us, our customers or our competitors;
- announcements regarding litigation or administrative proceedings involving us;
- actual or anticipated fluctuations in our period-to-period operating results;
- changes in financial estimates by securities research analysts;
- additions or departures of our executive officers;
- release or expiry of lock-up or other transfer restrictions on our outstanding Shares or ADSs; and
- sales or perceived sales of additional Shares or ADSs.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. For example, in 2020 the exchanges in China experienced fluctuations as a result of a slowdown in the Chinese economy and trade tensions with the United States. Prolonged global capital markets volatility may affect overall investor sentiment towards the Shares, which would also negatively affect the trading prices for the Shares.

An active trading market for the Shares on the Stock Exchange might not develop or be sustained, their trading prices might fluctuate significantly and the effectiveness of the liquidity arrangements might be limited.

Following the completion of the Global Offering, we cannot assure you that an active trading market for the Shares on the Stock Exchange will develop or be sustained. In particular, the Stock Exchange only implemented changes to the Listing Rules to facilitate the listing of biotech companies in 2018, and investors in Hong Kong listed securities may not be as familiar with investing in biotech companies as investors in other markets. If an active trading market for the Shares on the Stock Exchange does not develop or is not sustained after the Global

Offering, the market price and liquidity of the Shares could be materially and adversely affected. As a result, the market price of our Shares in Hong Kong following the completion of the Global Offering might not be indicative of the historical market prices of our Shares on the AIM and our ADSs on Nasdaq.

We may also seek further listings on other stock exchanges such as the Shanghai Stock Exchange. If such a listing materializes, PRC investors who previously traded on the Stock Exchange through the Shanghai-Hong Kong Stock Connect and similar arrangements may no longer do so, which could result in a significant reduction in the trading activities of the Shares on the Stock Exchange.

The characteristics of the Hong Kong, U.S. and U.K. capital markets are different.

The Stock Exchange, Nasdaq and the AIM have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, market regulations, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of the Shares and the ADSs might not be the same, even allowing for currency differences. Circumstances peculiar to the Hong Kong capital markets could materially and adversely affect the price of the Shares. Because of the different characteristics of the Hong Kong, U.S. and U.K. equity markets, the historical market prices of our securities may not be indicative of the performance of the Shares after the Global Offering.

We will be subject to Hong Kong, Nasdaq and AIM listing and regulatory requirements concurrently.

As we are listed on Nasdaq and the AIM and will be listed in Hong Kong on the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of each stock exchange, unless otherwise agreed by the relevant regulators. We may also seek further listings on other stock exchanges such as the Shanghai Stock Exchange. Accordingly, we may incur additional costs and resources in complying with the requirements of each stock exchange.

Future sales of the Shares or ADSs in the public market could cause the price of the Shares to fall.

Our Share price could decline as a result of sales of a large number of the Shares or ADSs or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of the Latest Practicable Date, we had 744,515,660 Shares outstanding, of which 270,163,800 Shares were represented by 54,032,760 ADSs.

We have registered or plan to register under the U.S. Securities Act the offer and sale of all securities that we have issued and may issue in the future under our equity compensation plans, including upon the exercise of share options. If these additional securities are sold, or if it is perceived that they will be sold, in the public market, the trading price of the Shares could decline.

In addition, in the future, we may issue additional Shares, ADSs or other equity or debt securities convertible into Shares in connection with a financing, acquisition, litigation settlement, employee arrangements or otherwise. Any such issuance could result in substantial dilution to our existing shareholders and investors under the Global Offering and could cause the price of the Shares to decline and/or the profit (if any) per Share to be diluted. For example, to further support our growth plans, we continue to monitor market conditions for, and evaluate the possibility of, seeking further listings on other stock exchanges such as the STAR Market.

If we pursue and complete a listing of our Shares on the Star Market, the Shares issued in connection with such listing would cause the shareholding of our Shareholders immediately prior to such listing to be diluted.

As noted in the prior risk factor, we continue to monitor market conditions for, and evaluate, the possibility of, seeking a listing on the STAR market. While the evaluation is ongoing, no decision has been made as to whether any such further listings will be sought and, if so, whether any application for such further listings will be successful. If we proceed with and complete a STAR Listing, we currently expect to issue new shares (including pursuant to any over-allotment option granted in connection with such potential STAR Listing) representing no more than 20% of the issued share capital of the Company immediately following the completion of such potential STAR Listing (taking into account the Shares to be issued pursuant to the Global Offering but without taking into account any Shares to be issued pursuant to any (a) exercise of the Over-allotment Option, (b) exercise of share options granted or to be granted under the Hutchmed Option Schemes or (c) exercise of the Warrant). The issue of shares pursuant to a potential STAR Listing would result in the shareholding of our Shareholders immediately prior to the completion of such potential STAR Listing being diluted by no more than 20%. Any STAR Listing and the size of any offering of new shares in our Company in connection with a STAR Listing (and consequently, the dilution impact on the shareholding of the then existing Shareholders) will be subject to a number of factors, including market conditions, our funding needs, approval of the Shareholders and approval of the Shanghai Stock Exchange, the CSRC and all relevant regulators. See "*Waivers and Exemptions – Waiver in relation to restriction on further issue of Shares by the Company*" for further details.

We are a Cayman Islands company. As judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under Hong Kong law, U.S. law or English law, shareholders may have different shareholder rights than they would have under Hong Kong law, U.S. law or English law and may face difficulties in protecting your interests.

We are an exempted company with limited liability incorporated in the Cayman Islands. Our corporate affairs are governed by our Articles of Association (as may be further amended from time to time), the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors are to a large extent governed by the common law of the Cayman Islands. This common law is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in England, Hong Kong and some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities law than Hong Kong, the United States or the United Kingdom. In addition, some states in the United States, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

In addition, as a Cayman Islands exempted company, our shareholders have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of these companies with the exception that the shareholders may request a copy of the Articles of Association. Our Directors have discretion under our Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest. As a Cayman Islands company, we may not have standing to initiate a derivative action in Hong Kong, U.S. federal courts or English courts. As a result, you may be limited in your ability to protect your interests if you are harmed in a manner that would otherwise enable you to sue in Hong Kong courts, U.S. federal courts or English courts. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong, U.S. federal courts or English courts.

Some of our Directors and executive officers reside outside of Hong Kong and the United States and a substantial portion of their assets are located outside of Hong Kong and the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands in the event that you believe that your rights have been infringed under the securities laws of Hong Kong, the United States or otherwise. In addition, some of our operating subsidiaries are incorporated in China. To the extent our Directors and executive officers reside in China or their assets are located in China, it may not be possible for investors to effect service of process upon us or our management inside China. Even if you are successful in bringing an action, the laws of the Cayman Islands and China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, Hong Kong or China, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits subject to certain conditions.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Hong Kong company, an English company or a U.S. company.

The market price of the Shares when trading begins could be lower than the Offer Price.

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

As the Offer Price is substantially higher than our net tangible book value per Share, you will incur immediate and substantial dilution.

As the Offer Price is substantially higher than our net tangible book value per Share, you will experience immediate and substantial dilution after giving effect to the Global Offering. In addition, you will experience further dilution to the extent that Shares are issued upon the exercise of share options. All of the Shares issuable upon the exercise of currently outstanding share options will be issued at a price on a per Share basis that is less than the Offer Price in the Global Offering.

We cannot assure you that the Shares will remain listed on the Stock Exchange, Nasdaq or the AIM.

Although it is currently intended that the Shares will remain listed on the Stock Exchange, Nasdaq and the AIM, there is no guarantee of the continued listing of the Shares on any of these exchanges. We may decide at some point in the future to delist voluntarily (subject to the applicable regulatory requirements) from one or more of these exchanges, or we may be delisted involuntarily if, among other factors, we do not continue to satisfy the listing requirements of the applicable exchange or comply with applicable law. We could be delisted from the Nasdaq if the PCAOB continues to be unable to inspect our independent registered public accounting firm for three consecutive years. The AIM Rules for Companies provide that a voluntary cancellation of admission to AIM is conditional upon the consent of not less than 75% of votes cast by its shareholders at a general meeting unless the London Stock Exchange otherwise agrees. Circumstances where the London Stock Exchange might otherwise agree that shareholder consent at a general meeting is not required would include the situation where the AIM securities are already admitted to trading on an "AIM Designated Market" (which includes Nasdaq) to enable shareholders to trade their AIM securities in the future. We cannot predict the effect a delisting of our Shares on the Stock Exchange or AIM market of the London Stock Exchange or our ADSs on Nasdaq would have on the market price of our Shares and/or ADSs. We may also seek further listings on other stock exchanges such as the Shanghai Stock Exchange. However, there is no assurance that we would proceed with a listing and if we do proceed, that a listing would materialize.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry report, contained in this prospectus.

This prospectus, particularly "*Business*" and "*Industry Overview*," contains information and statistics relating to the global and China oncology drug markets. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information in the report and such source materials have not been independently verified by us or the Relevant Persons and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other issuers or markets. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You are cautioned not to place any reliance on any information in press articles or other publications or media regarding us or the Global Offering.

There has been, prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding the Offer Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Global Offering, our business or the industry in which we operate.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

The members of the Board are as follows:

Name	Address	Nationality
Executive Directors		
TO Chi Keung, Simon (杜志強)	27C Po Garden 9 Brewin Path Hong Kong	Chinese (Hong Kong)
Christian Lawrence HOGG	No. 18 Headland Drive Discovery Bay Hong Kong	British
CHENG Chig Fung, Johnny (鄭澤鋒)	48 La Salle Road Kowloon Tong Hong Kong	Australian
Wei-guo SU (蘇慰國)	358 Hong Feng Road 8-1002, Pudong Shanghai China	American
Non-executive Directors		
Dan ELDAR (formerly PERLMUTTER)	16 Nissim Aloni St. Apartment 1701 Tel Aviv, 6291937 Israel	Israeli
Edith SHIH (施熙德)	13C, 9 Brewin Path Hong Kong	Chinese (Hong Kong)
Independent Non-executive Directors		
Paul Rutherford CARTER	20 Kensington Park Road London W11 3BU United Kingdom	British
Karen Jean FERRANTE	5 Ives Bluff Court East Greenwich RI 02818-4634 United States of America	American
Graeme Allan JACK	10A Ko Nga Court 9 High Street Sai Ying Pun Hong Kong	Australian
MOK Shu Kam Tony (莫樹錦)	22D Union Court, Shatin New Territories Hong Kong	Chinese (Hong Kong)

See "*Directors and Senior Management*" for further details.

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China Merchants Securities (HK) Co., Limited
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Hong Kong

As to PRC laws:
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20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

Auditor and Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Nominated Advisor for AIM	Panmure Gordon (UK) Limited One New Change London EC4M 9AF United Kingdom

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Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Company Secretary	Edith SHIH (*BSE, MA, MA, EdM, Solicitor, FCG(CS, CGP), FCS(CS, CGP)(PE)*) 48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Authorized Representatives	Edith SHIH 48th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong Christian Lawrence HOGG Level 18, The Metropolis Tower 10 Metropolis Drive Hunghom, Kowloon Hong Kong
Audit Committee	Graeme Allan JACK *(Chairman)* Paul Rutherford CARTER Karen Jean FERRANTE
Nomination Committee	MOK Shu Kam Tony *(Chairman)* Graeme Allan JACK TO Chi Keung, Simon
Remuneration Committee	Paul Rutherford CARTER *(Chairman)* Graeme Allan JACK TO Chi Keung, Simon

Technical Committee	Karen Jean FERRANTE *(Chairman)* Paul Rutherford CARTER Christian Lawrence HOGG MOK Shu Kam Tony Wei-guo SU TO Chi Keung, Simon
Compliance Advisor	Haitong International Capital Limited 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal Banker	The Hongkong and Shanghai Banking Corporation Limited Level 16, HSBC Main Building 1 Queen's Road Central Hong Kong
Principal Share Registrar and Transfer Office	Computershare Investor Services (Jersey) Limited 13 Castle Street, St. Helier Jersey, Channel Islands JE1 1ES
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company's Website	**www.hutch-med.com** *(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)*

HISTORY

Our Company was founded in 2000 by Hutchison Whampoa Limited ("**HWL**") (which in 2015 became a wholly-owned subsidiary of CK Hutchison), a Hong Kong based multinational conglomerate with operations in about 50 countries. CK Hutchison is the ultimate parent company of our largest shareholder HHHL.

We launched our Oncology/Immunology operations in 2002 with the establishment of our subsidiary HMPL. Our Oncology/Immunology operations are focused on developing novel drugs for the treatment of cancer and immunological diseases. In the years since the launch of our Oncology/Immunology operations, we have assembled a leading drug research and development team in China to create a large scale and fully-integrated drug discovery and development operation covering chemistry, biology, pharmacology, toxicology, chemistry and manufacturing controls, clinical and regulatory and other functions, which work seamlessly together. Our approach has been to create a stable and supportive environment that allows our research and development team to innovate.

The investments by us and our collaboration partners in the discovery and development activities of our Oncology/Immunology operations have resulted in a significant clinical pipeline consisting of ten drug candidates, which are currently being investigated in clinical studies in various countries. To further our research and development activities, we have entered into a number of collaboration agreements for the research, development and commercialization of certain of our drug candidates with leading global pharmaceutical and healthcare companies, the key examples of which are set out in *"– Key Milestones"* below.

In addition to our Oncology/Immunology operations, our Other Ventures operations include large-scale drug marketing and distribution platforms covering about 320 cities and towns in China with approximately 4,800 manufacturing and commercial personnel as of December 31, 2020. Built over the past 20 years, it primarily focuses on prescription drugs and consumer health products sold through Shanghai Hutchison Pharmaceuticals, Hutchison Sinopharm, Hutchison Baiyunshan, Hutchison Hain Organic, Hutchison Healthcare and Hutchison Consumer Products.

On March 4, 2021, we announced the consolidation of the two corporate identities that we have used since our inception. Hutchison China MediTech, or Chi-Med, has been used as our group identity, while Hutchison MediPharma has been the identity of our novel drug R&D operations under which our oncology products have been developed and are now being marketed. The brand HUTCHMED immediately replaced Chi-Med as our abbreviated name. We obtained shareholders' approval to change our group company name at our Annual General Meeting on April 28, 2021.

KEY MILESTONES

The following table sets out the key milestones of the Group since its founding:

Year	Event
2001	Established Shanghai Hutchison Pharmaceuticals, a joint venture with Shanghai Pharmaceuticals to manufacture, market and distribute prescription drug products.
	Established Hutchison Healthcare, a joint venture which became our wholly-owned subsidiary in 2009, to manufacture and sell health supplements.
2002	Launched our Oncology/Immunology operations with the establishment of our subsidiary HMPL.
2005	Commenced small molecule drug research.
	Established Hutchison Baiyunshan, a joint venture with Guangzhou Baiyunshan, to manufacture, market and distribute proprietary over-the-counter pharmaceutical products.
2006	Completed our placing of shares and admission to trading on AIM.
2006-2008	Entered into research collaborations with Merck KGaA, Eli Lilly and Ortho-McNeil-Janssen Pharmaceuticals, Inc. focusing on novel small molecule anti-cancer drugs.
2011	Entered into global collaboration with AstraZeneca to co-develop and commercialize savolitinib.
2013	Entered into collaboration with Eli Lilly in China to co-develop and commercialize fruquintinib.
2014	Established Hutchison Sinopharm, a joint venture with Sinopharm, to provide logistics services to, and distribute and market prescription drugs manufactured by, third-party pharmaceutical companies in China.
	Initiated Phase Ib combination studies of savolitinib with Tagrisso in EGFR mutation positive NSCLC.
2016	Completed a public offering of ADSs and became listed on Nasdaq, raising gross proceeds of approximately US$110.2 million.
2017	Completed a public follow-on offering of ADSs on Nasdaq, raising gross proceeds of approximately US$301.3 million.
	NDA for fruquintinib for advanced CRC was accepted by the NMPA. The NDA was supported by data from the Phase III registration study completed earlier in the year.

Year	Event
2018	Launched fruquintinib, sold under the brand name Elunate, in partnership with Eli Lilly, for the treatment of mCRC in China.
	Signed co-development collaborations for fruquintinib and surufatinib in combination with various PD-1 monoclonal antibodies, including Junshi's toripalimab and Innovent's sintilimab.
	Expanded U.S. and international clinical and regulatory operations including establishing our U.S. base in Florham Park, New Jersey.
2019	NDA for surufatinib for advanced non-pancreatic NETs was accepted for review by the NMPA.
	Elunate included in the China NRDL in November, effective January 1, 2020.
	Established China oncology commercial organization, in advance of the anticipated launch of surufatinib.
2020	Entered into a clinical collaboration agreement with BeiGene, to evaluate the safety, tolerability and efficacy of combining surufatinib and fruquintinib with BeiGene's anti-PD-1 antibody tislelizumab, for the treatment of various solid tumor cancers, in the U.S., Europe, China and Australia.
	Entered into an amendment to the collaboration agreement on fruquintinib with Eli Lilly to cover the promotion and marketing of Elunate (fruquintinib capsules) in China by HMPL from October 2020.
	NDA for savolitinib for the treatment of NSCLC with MET exon 14 skipping mutations was granted priority review status by NMPA.
	Completed a public follow-on offering of ADSs on Nasdaq and two private placements as further described in "– *Major Shareholding Changes in the Company*" below, raising gross proceeds of approximately US$318.3 million.
	Secured U.S. FDA Fast Track Designation for fruquintinib for the treatment of advanced CRC.
	NDA for surufatinib for advanced pancreatic NET was accepted for review by NMPA.
	Secured U.S. FDA Fast Track Designation and initiated rolling submission for surufatinib for the treatment of pancreatic and non-pancreatic NETs.
	NDA for surufatinib for advanced non-pancreatic NETs was approved by the NMPA.

Year	Event
2021	Launched surufatinib, sold under the brand name Sulanda, for the treatment of advanced non-pancreatic NETs in China.
	Entered into a strategic partnership with Inmagene Biopharmaceuticals to further develop four novel preclinical drug candidates discovered by us for the potential treatment of multiple immunological diseases.
	Change of group identity from Chi-Med to HUTCHMED.
	Entered into an agreement for the sale of our interest in Hutchison Baiyunshan.
	Completed the rolling submission of U.S. NDA for surufatinib for the treatment of pancreatic and non-pancreatic NETs.

MAJOR SHAREHOLDING CHANGES IN THE COMPANY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 18, 2000 with HWL (which in 2015 became a wholly-owned subsidiary of CK Hutchison) as the ultimate shareholder. HWL remained our sole ultimate shareholder until May 2006, when our Shares were admitted to trading on AIM following a placing of 14,537,704 Shares to institutional investors and an offering of 7,750 Shares, each on a pre-Share Split basis, to certain qualifying HWL shareholders, each at £2.75 per Share.

In July 2015, we signed a subscription agreement and completed the exchange of 5,247,493 convertible preference shares held by Mitsui & Co., Ltd. in our drug R&D subsidiary, HMHL, representing approximately 12.24% of the share capital of HMHL, for 3,214,404 new Shares (on a pre-Share Split basis) in our Company. The value of the subscription shares was £54 million. Following completion, we directly held 99.75% of the shares of HMHL with the remaining shares in HMHL being held by current and former employees of HMPL, and Mitsui became a shareholder of our Company.

In March and April 2016, we completed a public offering (including pursuant to the exercise of an over-allotment option) of an aggregate of 8,160,000 ADSs (each then representing one-half of one ordinary share of our Company) on Nasdaq at a price of US$13.50 per ADS. In October 2017, we completed a public follow-on offering (including pursuant to the exercise of an over-allotment option) of 11,369,810 ADSs (each then representing one-half of one ordinary share of our Company) on Nasdaq at a price of US$26.50 per ADS.

On May 30, 2019, we conducted a share split pursuant to which each share then in issue was subdivided into 10 Shares, and the par value of the Shares was accordingly changed from US$1.00 per Share to US$0.10 per Share and the ADS ratio changed from each ADS representing one-half of a share to each ADS representing five Shares. Immediately after the share split, the authorized share capital of the Company became US$150,000,000 divided into 1,500,000,000 Shares of par value of US$0.10, the total number of issued shares was 666,577,450 Shares.

In July 2019, CK Hutchison decreased its indirect shareholding in the Company from 60.2% to 51.2%. In October 2019, CK Hutchison further decreased its indirect shareholding in the Company from 51.1% to 49.9% and the Company was deconsolidated from the CKHH Group as a subsidiary.

In January and February 2020, we completed a public follow-on offering (including pursuant to the exercise of an over-allotment option) of an aggregate of 4,733,663 ADSs (each representing five Shares) on Nasdaq at a price of US$25.00 per ADS.

In 2020 and 2021, we issued Shares pursuant to private placements, as further described in "– *Private Placements*" below.

EQUITY COMPENSATION SCHEMES

We have adopted the 2005 Hutchmed Option Scheme, 2015 Hutchmed Option Scheme and the LTIP, pursuant to which awards exercisable for Shares have been and may be granted.

Under the Hutchmed Option Schemes, participants are granted share options exercisable for Shares at an exercise price (a) (in the case of initial grants under the 2005 Hutchmed Option Scheme) which was determined by the Board and (b) (for other grants under the Hutchmed Option Schemes) which is at the market value of the Shares at the date of grant. The number of options which may be granted under the 2015 Hutchmed Option Scheme may not exceed 5% of our Shares outstanding as at April 2020, provided that the scheme limit may be refreshed with shareholders' approval. Share options can no longer be granted under the 2005 Hutchmed Option Scheme as it expired in 2016.

Under the LTIP, participants may receive awards in the form of contingent rights to receive either Shares or cash payments. Share awards under the LTIP may not exceed 5% of our Shares outstanding as at April 2015. Such awards give the grantees a conditional right to receive Shares or equivalent ADSs to be purchased by the third-party trustee up to such aggregate maximum cash amount. The Shares which are purchased and held by the trustee pending the vesting of awards under the LTIP are accounted for by the Company as treasury shares acquired and held by the trustee in the Company's financial statements. Upon the termination or expiry of the trust, the trustee will hold the capital and income of the trust (including any unvested Shares) on trust for the participants, provided that if there are no participants at such time, then for such charity as the trustee shall in its discretion determine.

The Company will comply with the applicable requirements of the Listing Rules for the granting of share options and share awards pursuant to the Schemes after the Listing on the Stock Exchange.

For further details of the Schemes, see "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*."

PRIVATE PLACEMENTS

General Atlantic Singapore HCM Pte. Ltd. ("General Atlantic")

The Private Placement

On June 25, 2020, the Company entered into a securities subscription agreement (the "**GA Subscription Agreement**") for the sale of US$100 million of Shares at a price of US$5.00 per Share via a private placement to General Atlantic. 20,000,000 Shares were issued to General Atlantic and the proceeds for the private placement were received by the Company on July 2 and 3, 2020. The proceeds were used by the Company to fund ongoing research and clinical development and support the further growth of its commercialization capabilities both in China and globally.

On July 2, 2020, pursuant to the GA Subscription Agreement, the Company and General Atlantic entered into an ordinary shares subscription warrant which upon exercise entitles General Atlantic to subscribe for 16,666,670 Shares at an exercise price of US$6.00 per Share. The Warrant is exercisable during the period from July 2, 2020 to January 3, 2022. The Warrant remained outstanding as of the Latest Practicable Date. General Atlantic has undertaken to the Company that it will not exercise the Warrant up to and upon the Listing.

The Company has entered into a cornerstone investment agreement with General Atlantic pursuant to which General Atlantic has agreed to subscribe for, and the Company has agreed to issue, allot and place to General Atlantic, at the Offer Price for such number of Offer Shares (rounded down to the nearest board lot of 500 Shares) that may be subscribed for in an amount of US$30 million (approximately HK$234 million) under and as part of the International Offering. See "*Cornerstone Investors.*" Immediately following the completion of the Global Offering, General Atlantic will be interested in approximately 2.97% of the Shares in issue (assuming the Warrant is not exercised) or 4.84% of the Shares in issue (assuming the full exercise of the Warrant), in each case assuming the Over-allotment Option is not exercised and an Offer Price of HK$45.00 (being the Maximum Offer Price).

Investor's Rights and Lock-up Undertaking

Pursuant to the GA Subscription Agreement, General Atlantic (a) has the right to appoint (i) a management advisor to provide management, business development and financial advisory services to the Company, (ii) a non-voting observer to the Board if it holds at least 4.625% of the then current issued share capital of the Company, and (iii) a non-executive Director if it holds at least 8.5% of the then current issued share capital of the Company and (b) has been granted registration rights which would allow it to require the Company to effect the registration under the U.S. Securities Act of the Shares held by it under certain circumstances. While the Warrant is outstanding, General Atlantic is entitled to participate in any dividend or other distribution of assets (other than share dividends) declared or made by the Company to the same extent that it would have been if it had held Shares, provided however that General Atlantic shall only be permitted to take delivery of such distribution if, to the extent and at the

time it exercises some or all of the Warrant. Further, General Atlantic has agreed that it will not dispose of the Shares issued to it pursuant to the GA Subscription Agreement or assign the Warrant for the one year period following July 2, 2020 without the prior consent of the Company.

Canada Pension Plan Investment Board ("CPP Investments")

The Private Placement

On November 17, 2020, the Company entered into a securities subscription agreement (the "**CPP Investments Subscription Agreement**") for the sale of US$100 million of Shares at a price of US$6.00 per Share via a private placement to CPP Investments. 16,666,670 Shares were issued to CPP Investments and the proceeds for the private placement were received by the Company on November 25, 2020. The proceeds were used by the Company to fund ongoing research and clinical development and support the further growth of its commercialization capabilities both in China and globally. CPP Investments holds an additional 98,220 ADSs in the Company.

The Company has entered into a cornerstone investment agreement with CPP Investments pursuant to which CPP Investments has agreed to subscribe for, and the Company has agreed to issue, allot and place to CPP Investments, at the Offer Price for such number of Offer Shares (rounded down to the nearest board lot of 500 Shares) that may be subscribed for in an amount of US$50 million (approximately HK$390 million) under and as part of the International Offering. See "*Cornerstone Investors.*" Immediately following the completion of the Global Offering, CPP Investments will be interested in approximately 3.04% of the Shares in issue, assuming the Over-allotment Option is not exercised and an Offer Price of HK$45.00 (being the Maximum Offer Price).

Investor's Rights and Lock-up Undertaking

Pursuant to the CPP Investments Subscription Agreement, CPP Investments (a) has the right to appoint (i) a management advisor to provide management, business development and financial advisory services to the Company, (ii) a non-voting observer to the Board if it holds at least 4.625% of the then current issued share capital of the Company, and (iii) a non-executive Director if it holds at least 8.5% of the then current issued share capital of the Company and (b) has been granted registration rights which would allow it to require the Company to effect the registration under the U.S. Securities Act of the Shares held by it under certain circumstances. Further, CPP Investments has agreed not to dispose of the Shares issued to it pursuant to the CPP Investments Subscription Agreement for the one year period following November 26, 2020 without the prior consent of the Company.

Pachytene Limited ("Baring")

The Private Placement

On April 8, 2021, the Company entered into a securities subscription agreement (the "**Baring Subscription Agreement**") for the sale of US$100 million of Shares at a price of US$6.10 per Share via a private placement to Baring, an investment holding company wholly owned by Baring Asia Private Equity Fund VII. On April 9, 2021, the proceeds for the private placement were received by the Company and on April 14, 2021, 16,393,445 Shares were issued to Baring. The proceeds will be used by the Company to fund ongoing research and clinical development and support the further growth of its commercialization capabilities both in China and globally.

Investor's Rights and Undertaking

Pursuant to the Baring Subscription Agreement, Baring has been granted registration rights which would allow it to require the Company to effect the registration under the U.S. Securities Act of the Shares held by it under certain circumstances. Further, Baring has agreed not to dispose of the Shares issued to it pursuant to the Baring Subscription Agreement for the one-year period following April 9, 2021 without the prior consent of the Company.

ACQUISITION AND DISPOSAL

Nutrition Science Partners was a non-consolidated joint venture we formed with Nestlé Health Science in November 2012, whose objective was to develop, manufacture and commercialize HMPL-004/HM004-6599. In 2018, we and Nestlé Health Science S.A. reviewed the status of the HMPL-004/HM004-6599 program and after due consideration of the timeline and further investments required to complete clinical trials and reach the commercialization stage for these drug candidates, decided to explore alternative strategic options. As Nutrition Science Partners had no operations in 2019, and as we and Nestlé Health Science S.A. had no further plans to jointly develop these drug candidates, we agreed on December 9, 2019 to discontinue the joint venture by acquiring the remaining 50% shareholding in Nutrition Science Partners from Nestlé Health Science S.A. for approximately US$8.1 million (which represented their share of the cash balance at that time). Nutrition Science Partners has been included in our consolidated group since that date and we are evaluating development options for HMPL-004/HM004-6599.

On March 24, 2021, we entered into a sale and purchase agreement with GL Mountrose Investment Two Limited (the "**Purchaser**"), a company controlled and managed by GL Capital Group, to sell our entire investment in Hutchison Baiyunshan, our non-core and non-consolidated over-the-counter drug joint venture business. The aggregate amounts to be received attributable to the Company are approximately US$169 million, of which approximately US$127 million is related to our shareholding in Hutchison Baiyunshan and approximately US$42 million is related to distributions of the land compensation and the prior year's undistributed profits. The consideration was determined after arm's length negotiations between us and the Purchaser. GL Capital Group is an investment firm that focuses on buyout and growth opportunities in China's healthcare industry and is an independent third party which has a minority interest in the Company and is not a connected person of the Company. A deposit of approximately US$15.9 million paid upon the signing of the agreement will be credited against the proceeds due on completion of the disposal.

Hutchison Baiyunshan's net profit attributable to the Group for the years ended December 31, 2018, 2019 and 2020 amounted to US$6.7 million, US$7.9 million and US$36.5 million (of which US$28.8 million represents gain on land compensation), respectively. Following the completion of the disposal, the Group will cease equity accounting of the financial results of Hutchison Baiyunshan, and will derecognize the carrying value of the Company's investment in Hutchison Baiyunshan and recognize a disposal gain attributable to the Company which is estimated at approximately US$80-90 million, net of taxes. The Group will exit from the over-the-counter drug arena upon the disposal. As our focus is the discovery and development of novel therapies in oncology and immunology, the sale of our interest in Hutchison Baiyunshan will allow us to focus resources on our primary aim of accelerating investment in our Oncology/Immunology assets.

The disposal is subject to regulatory approval in China and is expected to be completed in the second half of 2021. The disposal is not subject to any approval under the applicable rules of Nasdaq and AIM.

We have not carried out any major acquisition or major disposal (as defined under the Listing Rules) during the Track Record Period.

LISTINGS ON NASDAQ AND AIM

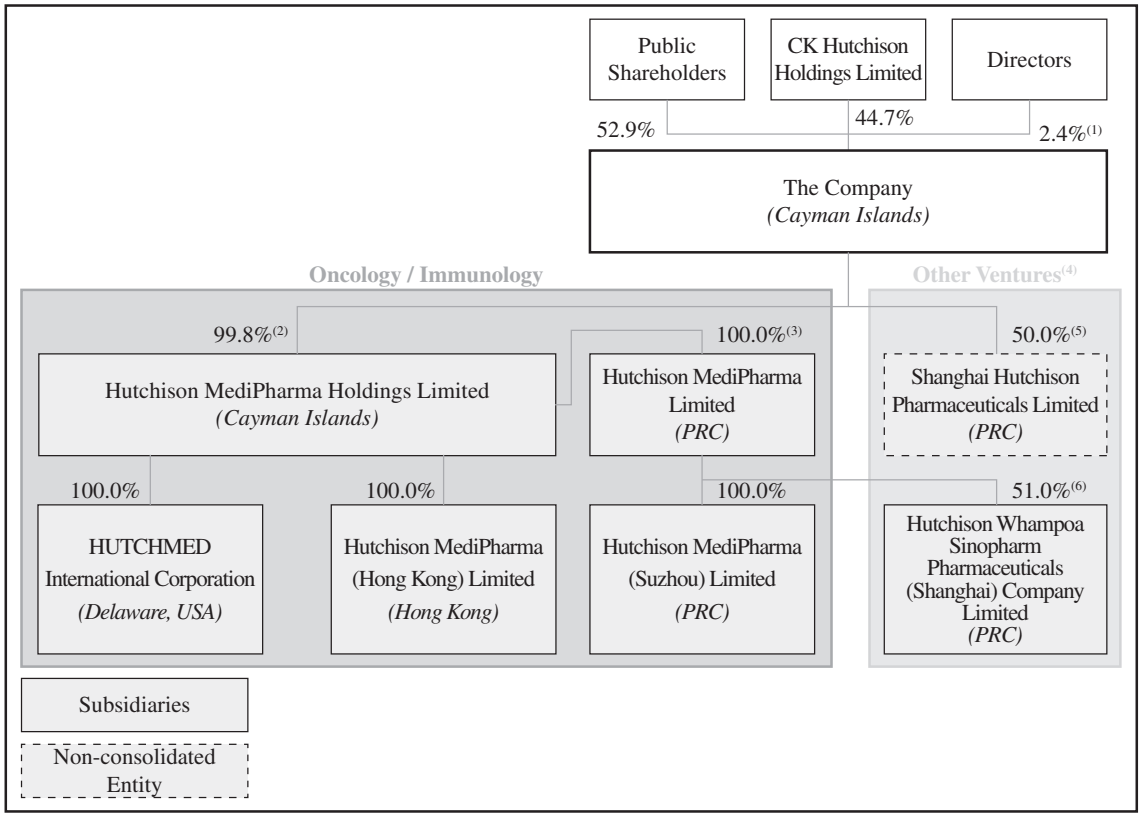
The Company has primary listings on Nasdaq and on AIM. To the best of the Directors' knowledge and belief, the Company has complied with the applicable provisions of the U.S. Securities Act, U.S. Exchange Act and the relevant rules promulgated thereunder, and Nasdaq Rules in all material respects since the listing of the ADSs on Nasdaq on March 17, 2016, with the AIM Rules and the Rules of the London Stock Exchange (as amended from time to time) in all material respects since the admission to trading of the Shares on AIM on May 19, 2006, with the EU Market Abuse Regulation in all material respects since it came into effect on July 3, 2016 until 11:00 pm (GMT) on December 31, 2020 and, following 11:00 pm (GMT) on December 31, 2020, with the EU Market Abuse Regulation (as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018) in all material respects.

An application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the exercise of share options granted under the Hutchmed Option Schemes and the Warrant. The Directors consider that it would be desirable and beneficial to the Company to have the Shares listed on the Stock Exchange as it will further allow the Company to diversify its investor base through providing better access to a wider universe of institutional investors, particularly in Asia, and increasing the overall liquidity in the Shares and the ADSs. This action, importantly, also augments the Company's connection to the Hong Kong and China markets on which the Company focuses its drug development and commercialization.

CORPORATE STRUCTURE

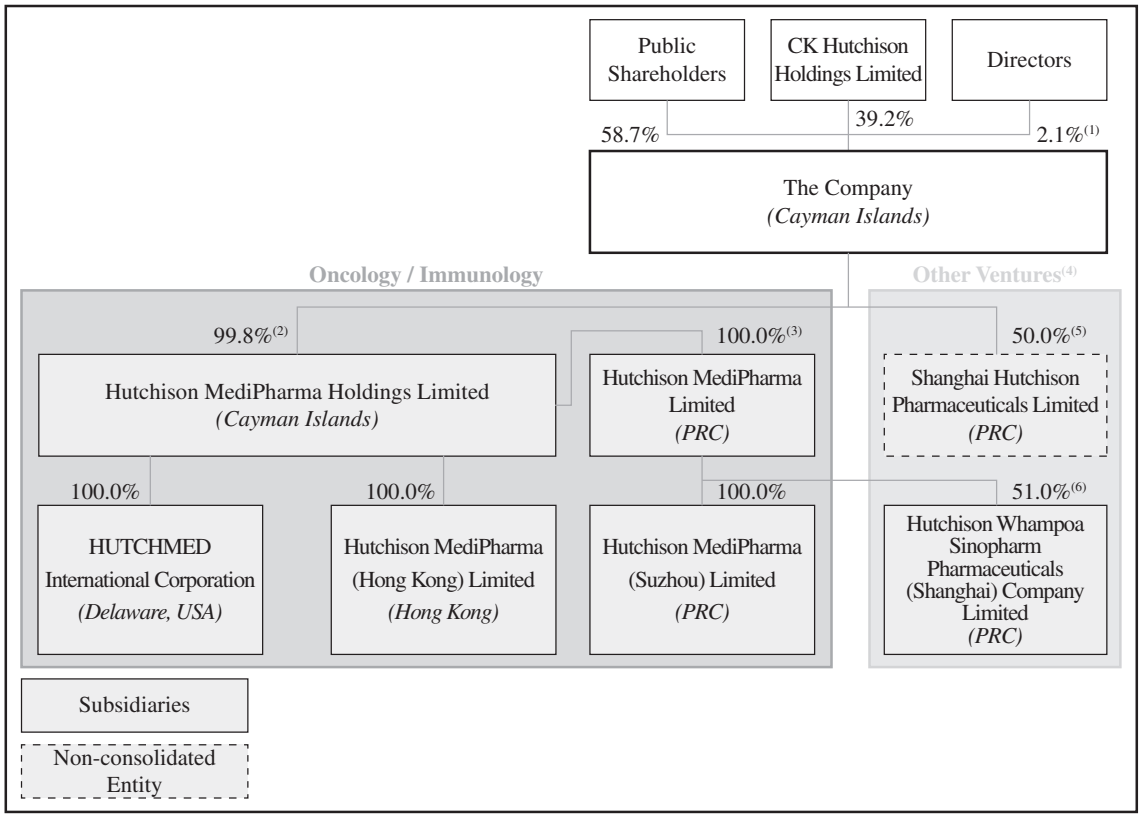
Corporate Structure as at the Latest Practicable Date

The simplified corporate structure of the Group, including our principal subsidiaries and joint ventures, as at the Latest Practicable Date is as follows:



Corporate Structure Immediately Following the Completion of the Global Offering

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant after the Latest Practicable Date), the simplified corporate structure of the Group, including our principal subsidiaries and joint ventures, will be as follows:



Notes:

(1) Includes Mr. Simon To's interests in 1,800,000 Shares and 133,237 ADSs, Mr. Christian Hogg's interests in 10,938,020 Shares and 68,035 ADSs, Mr. Johnny Cheng's interests in 2,561,460 Shares and 14,401 ADSs, Dr. Wei-guo Su's interests in 74,317 ADSs, Dr. Dan Eldar's interests in 19,000 Shares and 11,390 ADSs, Ms. Edith Shih's interests in 700,000 Shares and 100,000 ADSs, Mr. Paul Carter's interests in 35,240 Shares and 2,037 ADSs, Dr. Karen Ferrante's interests in 8,182 ADSs, Mr. Graeme Jack's interests in 5,397 ADSs, and Professor Tony Mok's interests in 12,399 ADSs, and does not include Shares or ADSs issuable to Directors upon the exercise of share options. For further details, see "*Appendix VI – Statutory and General Information – Further Information about the Directors – Interests of Directors and Chief Executive of the Company.*"

(2) Employees and former employees of Hutchison MediPharma Limited hold the remaining 0.2% shareholding in Hutchison MediPharma Holdings Limited.

(3) Held through Hutchison MediPharma (HK) Investment Limited, a 100.0% subsidiary of Hutchison MediPharma Holdings Limited.

(4) Other Ventures also include Hutchison Hain Organic Holdings Limited (in which the Company holds 50%), a consolidated joint venture with The Hain Celestial Group, Inc., which wholly-owns Hutchison Hain Organic (Hong Kong) Limited and Hutchison Hain Organic (Guangzhou) Limited.

(5) Held through our 100.0% subsidiary Shanghai Hutchison Chinese Medicine (HK) Investment Limited. Shanghai Pharmaceuticals Holding Co., Ltd. is the other 50.0% joint venture partner.

(6) Sinopharm Group Co. Ltd. is the other 49.0% joint venture partner.

PUBLIC FLOAT

As of the Latest Practicable Date, the Company's public float was approximately 53% across AIM and Nasdaq. Immediately following the Listing on the Stock Exchange, assuming (i) 104,000,000 Shares are issued pursuant to the Global Offering (before any exercise of the Over-allotment Option), (ii) no Shares are issued between the Latest Practicable Date and the Listing Date, (iii) there is no change in the number of Shares or ADSs in public hands (as defined in the Listing Rules) on AIM or Nasdaq between the Latest Practicable Date and the Listing Date, and (iv) no investor or Shareholder becomes a substantial shareholder (and hence a core connected person) of the Company as a result of the Global Offering, the public float of the Company is expected to be approximately 60% across the Stock Exchange, AIM and Nasdaq.

The Shares traded on AIM and to be traded on the Stock Exchange and the ADSs traded on Nasdaq are fungible and the process for moving shares between the stock exchanges are set out in "*Listing, Registration, Dealings and Settlement*."

If the Company proceeds with and completes a STAR Listing, pursuant to the applicable PRC requirements, the shares of the Company to be listed on the STAR Market will be subscribed for and traded in RMB and issued to investors in the PRC solely for trading on the Shanghai Stock Exchange in RMB ("**RMB Shares**"). It is currently expected that these RMB Shares will be ordinary shares in the capital of the Company but structured as a separate class of shares from the existing Shares, and will not be fungible with the Shares of the Company traded on AIM and to be traded on the Stock Exchange, or with the ADSs traded on Nasdaq.

Certain information and statistics set out in this section and elsewhere in this prospectus relating to the industry in which we operate are derived from the F&S Report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information extracted from the F&S Report should not be considered as a basis for investments in the Shares or as an opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors confirm, after making reasonable enquiries, that there is no adverse change in the market information since the date of publication of the F&S Report which may qualify, contradict or have an impact on the information in this section. Neither we nor any of the Relevant Persons has, save for Frost & Sullivan, independently verified such information and statistics, and no representation is given as to its accuracy. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this section is derived from the F&S Report.

WHAT IS CANCER?

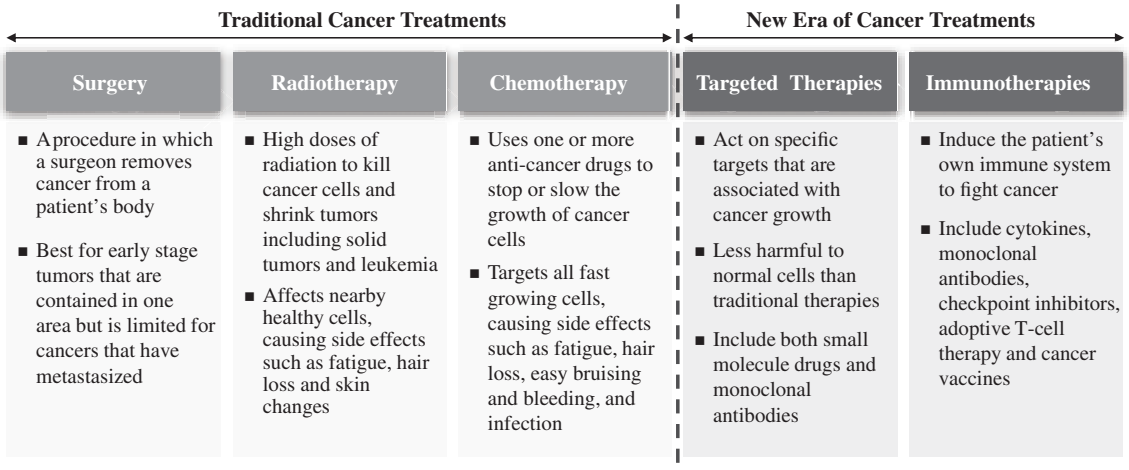
Cancer is a broad group of diseases in which cells undergo changes that allow them to divide and grow in an uncontrolled fashion, forming malignant tissues known as tumors , which can adversely affect normal bodily functions. Oncology is the study and treatment of tumors. Cancer is the second leading cause of death globally, causing approximately one in six deaths.

The global market for oncology treatment grew from US$93.7 billion in 2016 to US$150.3 billion in 2020, and is expected to further grow to US$482.5 billion by 2030, with a CAGR of 15.2% between 2020 and 2025 and 9.6% between 2025 and 2030. The oncology drug market in China is expected to grow at a faster pace than the global market. In 2016, the China oncology market was US$19.2 billion and increased to US$30.4 billion in 2020. Double-digit annual growth of 16.1% and 10.4% is expected between 2020 and 2025 and 2025 and 2030, respectively, with the market in China expected to reach US$105.1 billion by 2030.

OVERVIEW OF ONCOLOGY TREATMENT

The field of cancer treatment has advanced rapidly in recent decades, progressing from surgery and radiotherapy, to chemotherapy and, more recently, to molecularly targeted drugs and immunotherapies.

Oncology Treatment

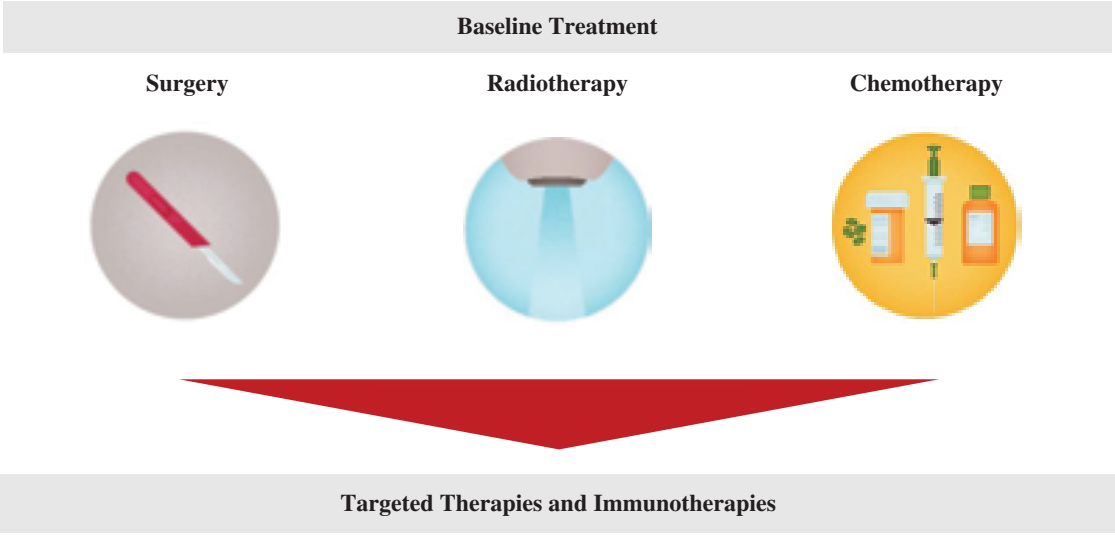


Source: Frost & Sullivan analysis.

Although molecularly targeted therapies and immunotherapies are becoming more available, the traditional cancer treatments noted above currently remain the essential or first-line treatments for most types of cancers globally, and, in particular, surgery is the primary treatment for patients whose cancer is resectable or in early stages.

THE FUTURE OF CANCER TREATMENT IS A BALANCED, MULTIPRONGED STRATEGY

We believe that the future of cancer treatment will continue to be a multipronged strategy, which treats cancer through the multiple modalities and mechanisms by which it develops, including by targeting the tumor microenvironment, cancer cell signaling processes and the body's immune system.



Cancer cell signaling

- Cells interact with their environment and cells around them. This process is known as cell signaling.
- Usually these signals help regulate a normal cycle of cell growth and death, but sometimes cells mutate and lose the ability to respond properly to cell signals. When this happens, they can grow out of control, resulting in the expansion of a tumor.
- Certain targeted therapies, such as those targeting MET, Syk, EGFR and PI3Kδ, aim to interrupt the messages inside and outside of the cells to stop cancer cells from proliferating and tumors from growing.
- Other targeted therapies aim to interrupt messages generated by cancer cells which help to power or feed the cell. If a drug can interrupt the messaging, it may be possible to starve tumors of energy and nutrients.

Tumor microenvironment

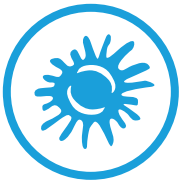
- The growth and spread of a tumor involve not just the cancer cells themselves, but also other healthy cells, tissues and molecules in the environment around them. This surrounding area is known as the tumor microenvironment.

- Many tumors produce chemical signals that change their surroundings around them to help them thrive and certain targeted therapies aim at disrupting these microenvironments. For instance, some tumors create signals that establish a network of blood vessels to supply the tumor with nutrients and oxygen, known as angiogenesis.

- If a targeted therapy can interrupt the microenvironment by, for example, inhibiting VEGFR or FGFR, kinases which are known to play a role in angiogenesis, it may be possible to reduce or cut off the flow of nutrients and oxygen to certain tumors.

- Targeted therapies may also act on the tumor environment to boost the immune response to cancer. For example, it may be possible to enable T cells to infiltrate the tumor microenvironment by inhibiting VEGFR.

Immuno-oncology



- The immune system is the body's natural defense system. Because cancer cells are different from normal cells, the immune system should find and attack them, but sometimes cancer cells can hide from or trick the immune system. Other times a person's immune system is not strong enough to fight off cancer cells.

- Immuno-oncology is a developing area of research that seeks to activate or support the immune system, making it possible for a patient's body to find and attack cancer cells.

- The immune system has several checkpoints that stop it from attacking healthy cells. Some cancer cells turn on these checkpoints to avoid destruction. To prevent this, immunotherapies such as anti-PD-1 antibodies aim to turn off these checkpoints.

- Targeted therapies may also act on tumor-associated macrophages and tumor-associated neutrophils thereby boosting a patient's immune response to cancer.

Source: Frost & Sullivan analysis.

Advent of Personalized Medicine Through Targeted Therapies and Immunotherapies

Over the past 20 years, cancer treatments have seen an increased focus on newer treatment methods, including targeted therapies, which target specific biological molecules, generally proteins or enzymes, or genetic changes that play a role in the spread of cancer, and immunotherapies, which use the patient's own immune system to help fight cancer.

With a better understanding of cancer biology, new therapies and diagnostic tests, cancer treatment is becoming increasingly personalized. In many cases, cancer is no longer a single tumor-type diagnosis. Rather, it is defined by a combination of personalized factors such as the biomarkers or gene mutations exhibited by a patient's tumor. The molecular characteristics of individual tumors are starting to be used to guide the choice of treatment.

The personalized medicine approach to cancer aims to optimize a patient's chances of responding to a particular targeted therapy treatment based on identified biomarkers or gene mutations. For example, it is now recommended that all NSCLC patients have their tumors tested for the presence of specific genetic abnormalities. Patients who test positive for an EGFR mutation are then typically treated with an EGFR inhibitor such as Tagrisso.

Next-Generation Kinase-targeted Therapies as a Critical Component of Combination Therapies

Human cells have many different kinases, and they help control important functions associated with cellular growth and survival. Some cancer cells have genetic alterations which cause certain kinases to be more active and blocking those kinases can keep the cancer cells from abnormal proliferation.

The cancer treatment landscape was transformed beginning with the introduction of small molecule targeted therapies such as tyrosine kinase inhibitors. The first tyrosine kinase inhibitor was approved for the treatment of cancer in the United States in 2001. Approved tyrosine kinase inhibitors have demonstrated significant benefits to patients.

The first generation of tyrosine kinase inhibitors to be discovered were multi-kinase inhibitors, targeting a wide range of kinases, one or more of which were intended target(s). Today, many approved tyrosine kinase inhibitors are multi-kinase inhibitors. Unfortunately, the benefits afforded by these first-generation molecules are accompanied by off-target toxicity, which in turn can lead to insufficient dosage with a short therapeutic window:

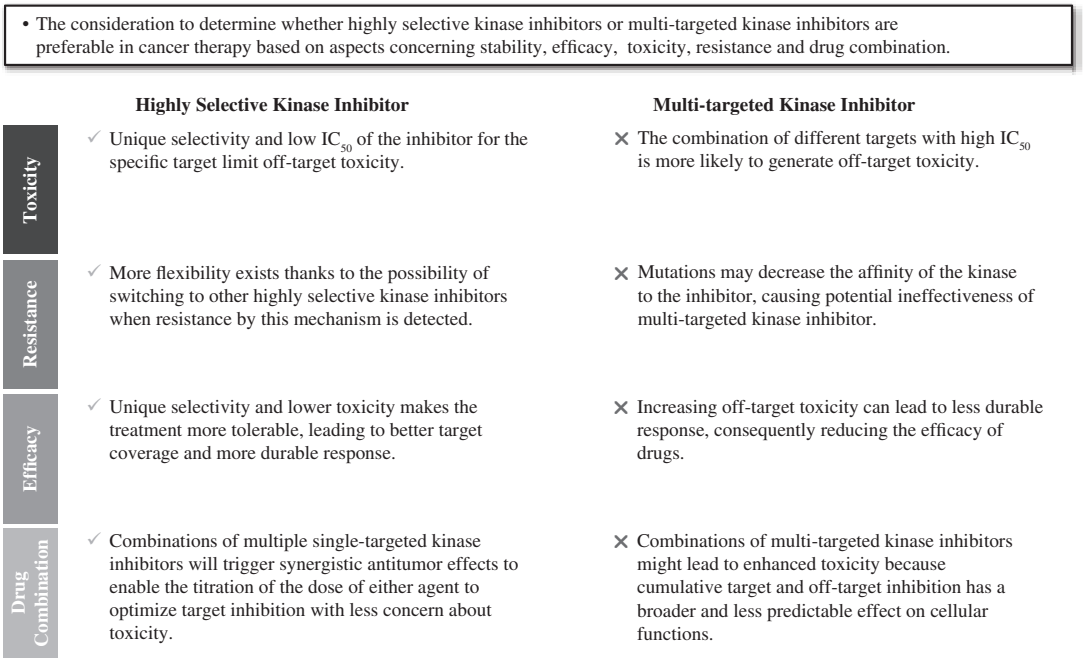
- *Off-target toxicity*. Off-target toxicities occur when a drug inhibits unintended targets due to similarities with the intended target. Off-target toxicities cause adverse side effects such as kidney and liver damage. For example, Stivarga was approved with a black box warning for liver toxicity on its FDA label. Off-target toxicities limit dosage levels and duration of treatment, thereby reducing efficacy. Off-target toxicities also limit the potential to use multi-kinase inhibitors in combination with other therapies, due to intolerable cumulative toxicities.

- *Insufficient dosage*. To prevent the adverse effects of off-target toxicities from being too intolerable for patients, many multi-kinase inhibitors are administered at dosages far below the optimal quantities to inhibit an intended target. These lower dosages can reduce the efficacy and therapeutic window of the drug.

Moreover, most patients who initially benefit from targeted therapies eventually relapse due to the development of new aberrations. For instance, studies suggest that when patients with metastatic lung cancers who initially benefit from anti-EGFR therapies like Tagrisso relapse, their tumors develop new aberrations such as MET amplification and further EGFR mutations. Off-target toxicities, as well as other adverse events such as undesirable drug-drug interactions, make management of subsequently acquired resistance difficult. One of our core strategies is to focus on next-generation, highly selective tyrosine kinase inhibitors which have the potential to address the problems described above by limiting off-target toxicity, increasing tolerability and efficacy and enabling combinations with other therapies to address acquired resistance. Furthermore, if multiple kinases do need to be targeted to provide clinical benefit, a personalized combination of multiple highly selective kinase inhibitors could be the optimal approach. In addition, highly selective kinase inhibitors may be well-suited to be used in

combination with chemotherapies or immunotherapies for the same reasons. For further discussion of the use of highly selective inhibitors in combination therapies, see "*– The Use of Targeted Therapies in Combination Therapies*."

Key Benefits of Highly Selective Kinase Inhibitors Versus Multi-targeted Kinase Inhibitors



Source: Frost & Sullivan analysis.

The Use of Targeted Therapies in Combination Therapies

Combination therapy is the use of two or more medications or therapies to treat the same disease or condition. Often, the use of two or more oncology treatments is more efficacious than a single oncology treatment, also known as a monotherapy, because the combination therapy treats the cancer from multiple angles at the same time.

Highly selective therapies are optimal for use in combination therapies because they can be tailored to address biological processes that are most relevant to each cancer's molecular profile. By using multiple therapies that simultaneously work via different mechanisms, combination therapies can decrease the likelihood that resistant cancer cells will develop. Moreover, when drugs with different effects are combined, each drug can be used at its optimal dose. Meanwhile, reducing unnecessary kinase inhibition can also reduce unnecessary toxicity.

Targeted therapies have been approved and are being studied in clinical trials for use in combination with several types of oncology drugs or therapies, including:

- *Combination with chemotherapy.* Studies have shown significant improvements in the overall outcome of certain cancer patients when a targeted therapy is used in combination with chemotherapy. For example, the addition of a VEGFR inhibitor to chemotherapy has been demonstrated to show an increase in PFS and overall survival in certain types of cancers, and we are studying a similar combination in a Phase III clinical trial of fruquintinib in combination with Taxol in second-line gastric cancer patients in China.

- *Combination with other targeted therapies.* The use of two targeted therapies that affect different cancer pathways can slow disease progression and address, delay or prevent acquired resistance to a greater extent than using just one targeted therapy. Highly selective tyrosine kinase inhibitors are ideal candidates for use together in combination therapies because, due to their high selectivity, each drug can be used at its maximum dose without intolerable side effects. For example, in a Phase II clinical trial we are studying our drug candidate savolitinib, a MET inhibitor, in combination with Tagrisso, AstraZeneca's approved EGFR inhibitor, for the treatment of a certain type of metastatic NSCLC.

- *Combination with immunotherapies*. Immunotherapies are one of the fastest-growing areas within oncology research. Combinations of targeted therapies and immunotherapies have shown great potential in ongoing clinical trials. Early evidence in Phase III clinical trials in certain cancer types suggests that using immunotherapies, such as PD-1 and PD-L1 checkpoint inhibitors, in combination with tyrosine kinase inhibitors, may result in an enhanced response compared to the use of either agent alone. We are focusing on the clinical development of savolitinib in combination with immunotherapy (Imfinzi). We are also focusing on the clinical development of our drug candidate fruquintinib in combination with anti PD-1 antibodies (Tyvyt, Tuoyi and tislelizumab) and chemotherapy (Taxol). In addition, we are currently focusing on the clinical development of surufatinib in combination with immunotherapies (Tuoyi, Tyvyt and tislelizumab).

Many Angles of Attack Within the Cancer-Immunity Cycle

There are several processes involved when an immune response is effective in killing cancer cells. These steps are referred to as the cancer-immunity cycle. Combination treatments aim to be effective against cancer by addressing different parts of this cycle. Key parts of the cycle that targeted drugs can address include:

- *Release of cancer cell antigens*. Parts of aberrant cancer cells, particularly when they are killed by targeted therapies, are released into the bloodstream, allowing the immune system to recognize cancerous cells. Therapy targets being developed include MET, ERK, FGFR, IDH, RIP1K, ROS1 and Syk, among others.

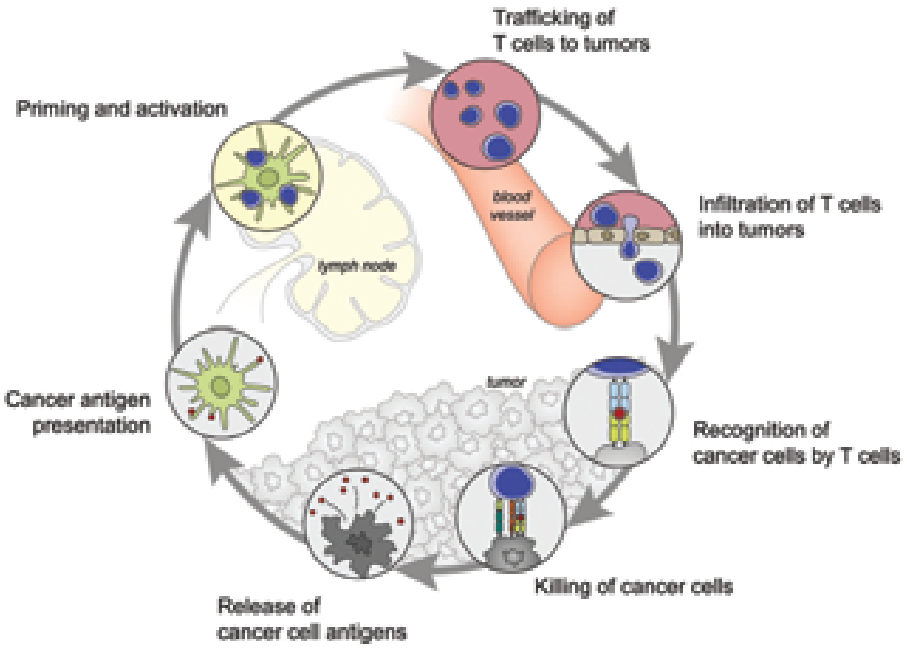
- *Priming and activation*. Immune cells that specialize in antigen detection present antigens to T cells, priming them to look for and kill cells displaying those antigens. Stimulatory therapies being developed are designed to improve insufficient T cell response. Targets include OX40 and 4-1BB.

- *Trafficking and infiltration of T cells into tumors.* Activated T cells travel in the bloodstream to find and infiltrate the tumor microenvironment. Therapies in development aim to aid T cells in this process, including anti-angiogenic therapies such as VEGFR and FGFR inhibitors.

- *Recognition, and killing, of cancer cells by T cells.* T cells look for and kill cells displaying the cancer antigen. However, tumors often utilize various natural checkpoints that hinder T cells' ability to recognize and kill them. Therapy targets being developed include PD-1/PD-L1, CTLA4, Treg, CSF-1R, TIGIT, AhR, TIM3 and TCBs. Chimeric antigen receptor T cells, or CAR-T cells, are T cells that have been artificially encoded to recognize tumors.

Once the cancer cells are successfully killed by T cells, the cancer cells release antigens, and the cycle can repeat itself thereafter.

Steps in Activating the Immune Response for the Treatment of Cancer



Source: Adapted from Chen DS et al. Oncology Meets Immunology: The Cancer-Immunity Cycle. Immunity, Volume 39, Issue 1, 1 – 10; Frost & Sullivan analysis.

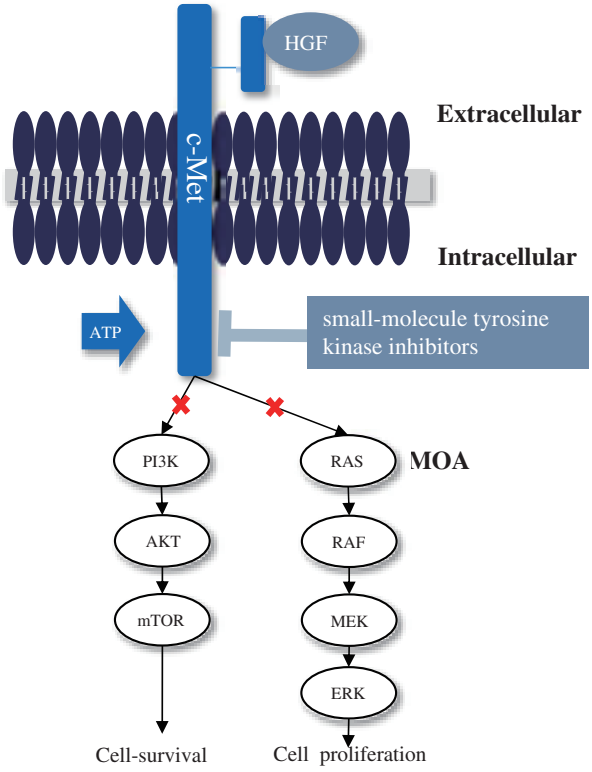
OVERVIEW OF MOLECULAR TARGETS AND MARKET LANDSCAPE

Our approved and clinical-stage drug candidates are highly selective therapies targeting a variety of novel and validated targets, including the MET, VEGFR, FGFR, CSF-1R, PI3Kδ, Syk, IDH, ERK and EGFR pathways, as described below. The drugs shown in the competitive landscape tables are small molecule therapies or biologic therapies.

MET Pathway

Overview of MET Inhibitors

MET is a receptor tyrosine kinase and its signaling pathway has specific roles in normal mammalian growth and development. However, the MET pathway has also been shown to function abnormally in a range of different cancers, primarily through MET gene amplification, overexpression and gene mutations. As a result, MET has become a widely investigated oncology target in recent years. The diagram below illustrates the mechanism of action of MET inhibitors.



Source: Frost & Sullivan.

Notes: After binding with c-Met's ATP, the ligand activates a wide range of cellular signaling pathways, including those involved in cell proliferation, motility, migration and invasion. By targeting the binding site of c-Met's ATP, c-Met Inhibitors block the phosphorylation and transduction of downstream signaling pathways, further suppressing the growth of tumors.

See "*Business – Our Clinical Pipeline – 1. Savolitinib MET Inhibitor – Mechanism of Action*" for more details.

Market Landscape

The following table sets out the incidence of different types of aberrant activation of MET in different primary tumor settings as well as the incidence of new cancer cases by tumor type globally and in China in 2020.

Aberrant Activation of MET in Different Tumor Settings

	MET			New Cases (2020)	
Indication	**Amplification**	**Mutation**	**Over-expression**	**Global**	**China**
Gastric	10%	1%	41%	1,089,100	469,600
Non-small Cell Lung Cancer (NSCLC)	4%/16%/30%[(a)]	2%[(b)]	39%	1,875,800	785,500
Head and Neck	17-39%	11%[(c)]	46%[(d)]	931,900	143,100
Colorectal	10%	3%	65%	1,880,700	453,400
Papillary Renal Cell Carcinoma (PRCC)	64%	17-33%[(e)]	55%	48,500	3,839
Clear Cell Renal Cell Carcinoma (CCRCC)	54%	N.A.[(e)]	35%	300,900	60,030
Esophagus	8%	1.4%[(g)]	92%	604,100	289,600
Prostate	0%[(h)]	1.06%[(g)]	54%/83%[(f)]	1,414,300	114,300

Notes:

(a) MET amplification for NSCLC occurs in approximately 4% of patients not previously exposed to systemic therapies and in up to 16% and 30% of patients with acquired resistance to 1st generation and 3rd generation EGFR TKIs, respectively.

(b) MET exon 14 skipping mutation only.

(c) Oropharynx squamous cell cancer only.

(d) Head and neck squamous cell cancer only.

(e) Mutations in renal cell carcinoma, Volume 38, Issue 10, October 2020, Pages 763-773.

(f) MET expression is increased with progression of prostate cancer, which is 54% of lymph node metastases and 83% of bone metastases.

(g) The AACR Project GENIE Consortium. AACR Project GENIE: powering precision medicine through an international consortium. Cancer Discovery. 2017;7(8):818-831. Dataset Version 8.

(h) MET expression during prostate cancer progression, Oncotarget, Vol. 7, No. 21.

N.A. = data not available

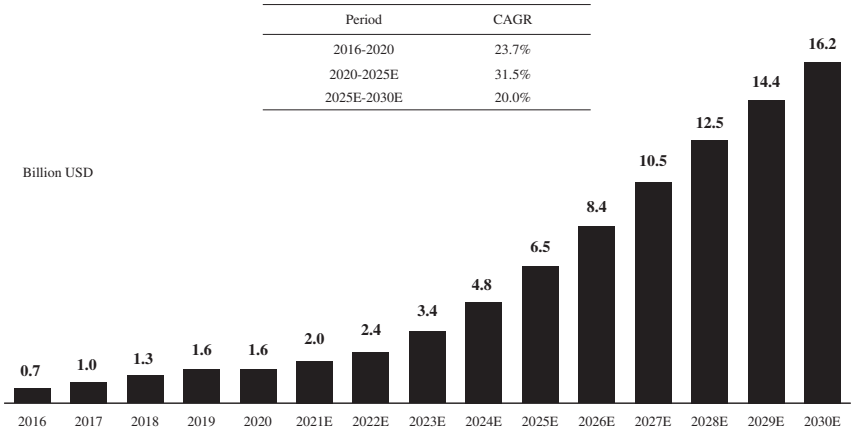
Source: Frost & Sullivan analysis.

There is a highly unmet need for treatments that can overcome acquired resistance to anti-EGFR therapy. We believe this is the largest potential market for MET inhibitors. For example, the savolitinib and Tagrisso combination, if approved, could potentially be the first treatment option available for the approximately 16% to 30% of EGFRm+ inhibitor-resistant NSCLC patients whose tumors have MET amplification. Both overexpression and amplification are associated with MET pathway activation, and there can be heterogeneity within tumors or across metastatic sites. Generally, MET overexpression overlaps extensively with MET amplification, but there are some tumors that overexpress MET without MET

amplification and vice versa. MET amplification is recognized as an effective driver of acquired resistance of EGFR therapy. MET overexpression can be responsible for the cancer formation by activating MET signaling pathway to promote tumor cell growth, survival, migration and invasion as well as tumor angiogenesis.

While there are currently no approved selective MET inhibitors on the market in China, two selective MET inhibitors are on the market in the United States and Japan: Tepmetko (tepotinib) and Tabrecta (capmatinib) are approved for MET exon 14 skipping NSCLC with additional programs focused on lung cancer underway. The global and China markets for small molecule MET inhibitors are expected to grow to US$16.2 billion and US$4.8 billion by 2030, respectively, with the majority of the growth occurring after 2021 when the first highly selective MET inhibitor is expected to launch, as shown in the charts below:

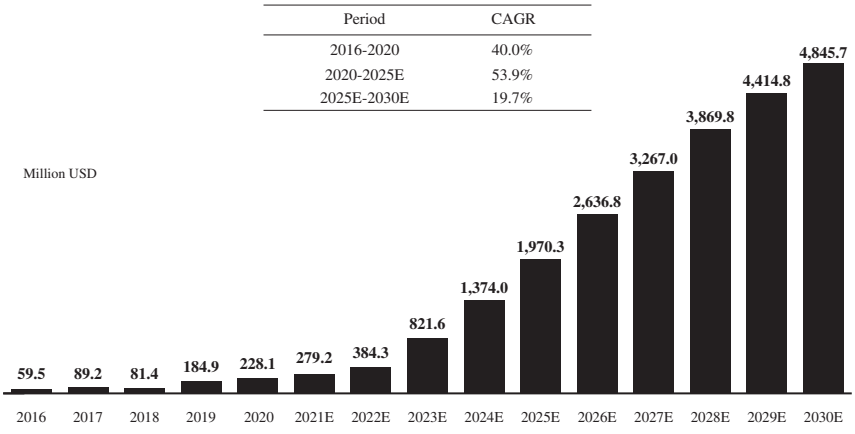
Global Market for Small Molecule MET Inhibitors, 2016-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

China Market for Small Molecule MET Inhibitors, 2016-2030E



Notes: US$1 = RMB6.5; and E = estimated.

Source: Frost & Sullivan analysis.

Our drug candidate savolitinib is a selective MET inhibitor in global development for the treatment of lung cancer, kidney cancer, gastric cancer and CRC. As evidenced by the recently published final data analysis from our TATTON (Part B) study, savolitinib demonstrated meaningful clinical benefits to patients with a certain type of metastatic NSCLC patients in combination with Tagrisso.

We are not aware of any other selective MET inhibitors in late-stage clinical development.

A summary of the competitive landscape of approved MET inhibitors and drug candidates in development in China and globally is set out below.

Marketed Small Molecule MET Targeted Therapies for Cancer Treatment Globally

Brand Name	Generic Name	Company	FDA Approval	Indication
Tabrecta	Capmatinib	Novartis/Incyte	2020-05-06	• Adult patients with metastatic NSCLC whose tumors have a mutation that leads to MET 14 skipping
Tepmetko	Tepotinib	EMD Serono (a Merck KGaA subsidiary)	2021-02-03	• Adult patients with metastatic NSCLC whose tumors have a mutation that leads to MET 14 skipping

Small Molecule MET Targeted Therapies for Cancer Treatment under Clinical Development Globally

Drug Name	Company	Indication	Clinical Stage	Mono/Combo Therapy
Bozitinib APL-101	Apollomics	• NSCLC	Phase II	Mono
TPX-0022	Turning Point Therapeutics	• Solid Tumors	Phase I	Mono

Source: Clinicaltrials.gov, FDA, Frost & Sullivan Analysis

Small Molecule MET Targeted Therapies for Cancer Treatment Under Clinical Development in China

INN/Drug Code	Company	Indication	Clinical Stage	Mono/Combo Therapy
Cabozantinib	Simcere	• Advanced RCC, Hepatocellular Carcinoma	ANDA	Mono
	Jiangsu Vcare Pharmatech	• Advanced RCC, Hepatocellular Carcinoma	Biologics Evaluation	Mono
	Jiangsu Aosaikang Pharmaceutical			
	Jiangsu Hansoh Pharmaceutical			
Bozitinib	Beijing Pearl Bio-Science	• NSCLC	Phase II	Mono
		• Neuroglioma	PhaseII/III	Mono
Glumetinib	TopAlliance Biosciences	• Relapsed Metastatic NSCLC	Phase Ib/II	Combo
	Shanghai Institute of Materia Medica. Chinese Academy of Sciences/ GreenValley/Haihe Biopharma	• Relapsed Metastatic NSCLC	Phase Ib/II	Combo
		• Advanced NSCLC with MET Mutation		Mono
Tepotinib	Beijing Merck Serono (a Merck KGaA Subsidiary)	• NSCLC with MET Amplification	PhaseII	Mono
		• Local/Advanced/Metastatic NSCLC	Phase II	Mono
AL2846	CTTQ (a Sino Biopharma subsidiary)	• Advanced NSCLC with Bone Metastasis	Phase II	Mono
Capmatinib	Novartis Pharmaceuticals	• Advanced NSCLC Harboring MET Exon 14 Skipping Mutation	Phase II	Mono

Source: NMPA, Chinadrugtrials.org.cn, CDE, Frost & Sullivan Analysis

MET mAbs for Cancer Treatment under Clinical Development Globally

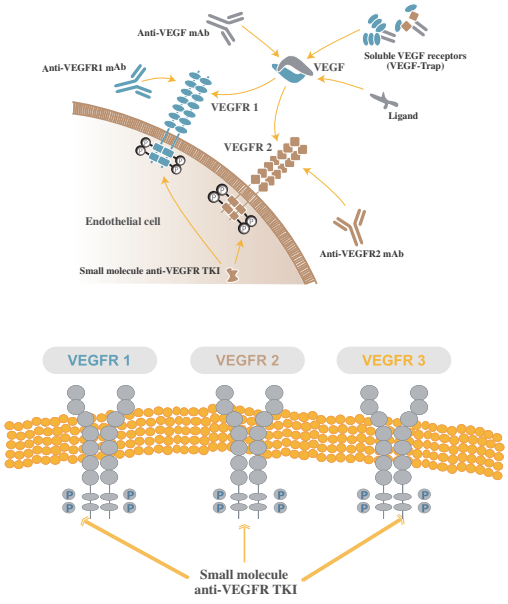
Drug Name	Company	Indication	Clinical Stage	Mono/Combo Therapy
Amivantamab	Genmab, Janssen (a J&J subsidiary)	• Metastatic NSCLC with EGFR Exon 20 Insertion Mutations	Biologics License Applications	N/A
Telisotuzumab ABBV-399	AbbVie	• NSCLC	Phase II	Mono
MCLA-129	Merus	• NSCLC and other Solid Tumors	Phase I/II	Mono

Source: NMPA, Clinicaltrials.gov, CDE, Frost & Sullivan Analysis

VEGFR Pathway

Overview of VEGFR Inhibitors

During the development of cancer, tumors at an advanced stage can secrete large amounts of VEGF, a protein ligand, to stimulate formation of excessive vasculature (angiogenesis) around the tumor in order to provide greater blood flow, oxygen and nutrients to fuel the rapid growth of the tumor. Inhibition of the VEGF/VEGFR signaling pathway can act to stop the growth of the vasculature around the tumor and thereby starve the tumor of the nutrients and oxygen it needs to grow rapidly. The diagram below illustrates the mechanism of action of VEGFR inhibitors.



Source: Frost & Sullivan.

Notes: During the development of cancer, tumors at an advanced stage can secrete large amounts of VEGF, a protein ligand, to stimulate formation of excessive vasculature (angiogenesis) around the tumor in order to provide greater blood flow, oxygen and nutrients to fuel the rapid growth of the tumor. VEGF and other ligands can bind to three VEGF receptors, VEGFR 1, 2 and 3, each of which has been shown to play a role in angiogenesis. Therefore, inhibition of the VEGF/VEGFR signaling pathway can act to stop the growth of the vasculature around the tumor and thereby starve the tumor of the nutrients and oxygen it needs to grow rapidly.

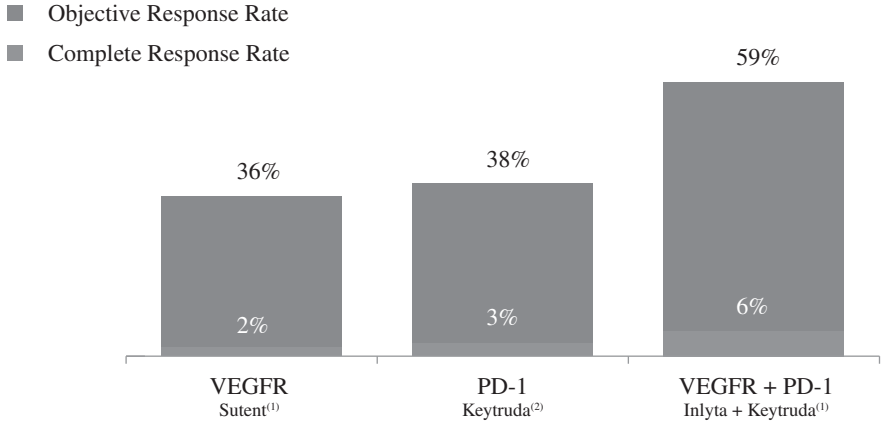
See "*Business – Our Clinical Pipeline – 3. Fruquintinib VEGFR 1, 2 and 3 Inhibitor – Mechanism of Action*" and "*Business – Our Clinical Pipeline – 2. Surufatinib VEGFR 1, 2 and 3, FGFR1 and CSF-1R Inhibitor – Mechanism of Action*" for more details.

Potential for Combination with Immunotherapies

It is theorized that targeting VEGFR may help restore part of the cancer-immunity cycle by enhancing T-cell infiltration into the tumor microenvironment. Therefore, simultaneous inhibition of VEGF and immune checkpoints such as PD-L1 and PD-1 may be a rational combination therapy. Multiple clinical studies have demonstrated that the combination of VEGF/R inhibitor with a PD-1 or PD-L1 inhibitor results in a better outcome than either agent alone. Recently, the FDA approved Roche's Tecentriq, a monoclonal antibody against PD-L1, in combination with Avastin, a VEGF inhibitor, and chemotherapy for first-line treatment of metastatic NSCLC without EGFR or ALK mutations.

The FDA has approved the following three filings for combination in clear cell renal cell carcinoma: (i) Inlyta with Keytruda (based on the 861-patient KEYNOTE-426 study), (ii) Inlyta with Bavencio (based on the 886-patient JAVELIN Renal 101 study) and (iii) Opdivo with Cabometyx (based on the 651-patient CHECKMATE-9ER study). The Inlyta and Keytruda combination therapy showed that the patients receiving such therapy had a higher objective response rate than patients in the monotherapy arms, as described in the chart below:

Comparison of Response Rates between VEGFR Inhibitor Monotherapy, PD-1 Inhibitor Monotherapy, and VEGFR Inhibitor and PD-1 Inhibitor Combination Therapy in First-line Clear Cell Kidney Cancer



Sources:

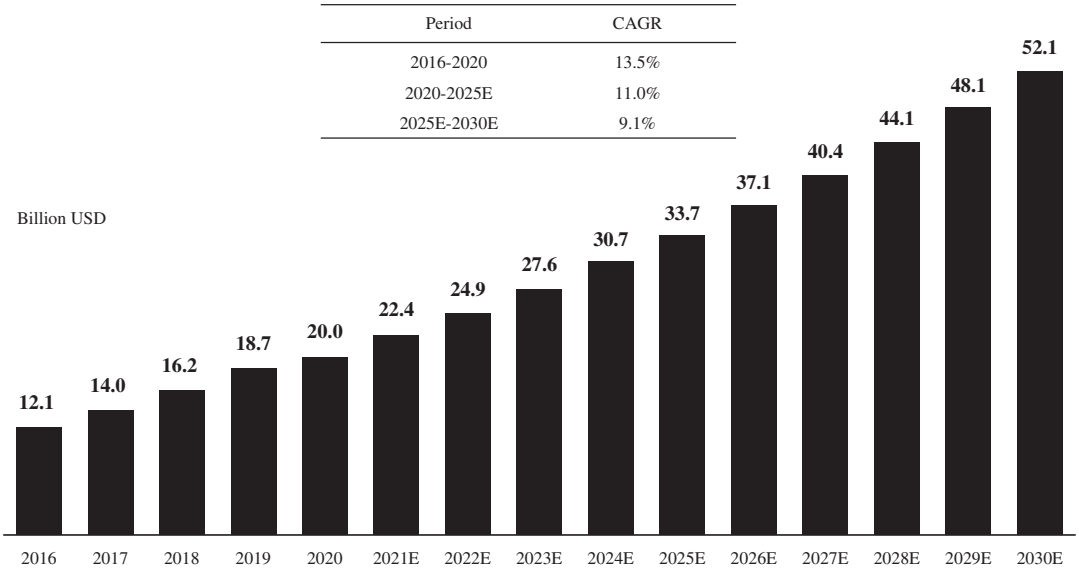
(1) B. Rini et al, for the KEYNOTE-426 Investigators, NEJM 2019 Feb 16. doi: 10.1056/NEJMoa1816714, Pembrolizumab plus Axitinib versus Sunitinib for Advanced Renal-Cell Carcinoma.

(2) D.F. McDermott et al, ASCO 2018 #4500, Pembrolizumab monotherapy as first-line therapy in advanced clear cell renal cell carcinoma (accRCC): Results from cohort A of KEYNOTE-427.

Market Landscape

The global market for VEGFR therapies was estimated at approximately US$20.0 billion in 2020, including both monoclonal antibodies and small molecules approved in around 26 tumor settings. The global market for VEGFR therapies is expected to grow to US$52.1 billion by 2030, as shown in the chart below.

Global Market for VEGFR Therapies, 2016-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

Fruquintinib capsules, self-discovered and developed by our Company and sold under the brand name Elunate in China, were approved for marketing in China by the NMPA in September 2018 and commercially launched in late November 2018 for third-line treatment of mCRC. Fruquintinib is a VEGFR 1, 2 and 3 inhibitor that has the potential to be a VEGFR inhibitor with the best selectivity for its targets in global Phase III development due to its superior kinase selectivity compared to other small molecule VEGFR inhibitors, which can be prone to excessive off-target toxicities. A global registration study of Fruquintinib is ongoing in the United States, Europe and Japan in refractory mCRC. Fruquintinib is in clinical development for the treatment of CRC, gastric cancer, NSCLC and other solid tumors.

Our self-discovered and developed drug candidate surufatinib is an oral small molecule inhibitor targeting VEGFR 1, 2 and 3, FGFR1 and CSF-1R. Targeting CSF-1R, in addition to VEGFR 1, 2 and 3 and FGFR1, gives surufatinib a unique angio-immune profile. See "– *Overview of CSF-1R Inhibitors*" for more details.

A summary of the competitive landscape of approved VEGFR inhibitors and drug candidates in development in China and globally is set out below.

Marketed Small Molecule Targeted VEGFR Therapies for Cancer Treatment in the U.S.

Brand Name	INN	Company	FDA Approval	Indication
Nexavar	Sorafenib	Bayer	2005-12-01	• Unresectable hepatocellular carcinoma (HCC) • Advanced RCC • Locally recurrent or metastatic, progressive, differentiated thyroid carcinoma (DTC) refractory to radioactive iodine treatment
Sutent	Sunitinib	CPPI CV (a Pfizer subsidiary)	2006-01-26	• Gastrointestinal stromal tumor (GIST) after disease progression on or intolerance to imatinib mesylate advanced RCC • Adjuvant treatment of adult patients at high risk of recurrent RCC following nephrectomy progressive, well-differentiated pancreatic NET in patients with unresectable locally advanced or metastatic disease
Votrient	Pazopanib	Novartis	2009-10-19	• Advanced RCC • Advanced soft tissue sarcoma who have received prior chemotherapy
Caprelsa	Vandetanib	Genzyme (a Sanofi subsidiary)	2011-04-06	• Symptomatic or progressive medullary thyroid cancer (MTC) in patients with unresectable locally advanced or metastatic disease
Inlyta	Axitinib	PF Prism CV (a Pfizer subsidiary)	2012-01-27	• Advanced RCC after failure of one prior systemic therapy
Stivarga	Regorafenib	Bayer	2012-09-27	• mCRC previously treated with fluoropyrimidine-, oxaliplatin- and irinotecan-based chemotherapy, an anti-VEGF therapy, and, if RAS wild-type, an anti-EGFR therapy • Locally advanced, unresectable or metastatic GIST who have been previously treated with imatinib mesylate and sunitinib malate • HCC previously treated with sorafenib
Cometriq	Cabozantinib	Exelixis	2012-11-29	• Patients with progressive, metastatic MTC
Vargatef[1]	Nintedanib	Boehringer Ingelheim	-	• For the treatment of adult patients with locally advanced, metastatic or locally recurrent NSCLC of adenocarcinoma tumor histology after first-line chemotherapy
Lenvima	Lenvatinib	Eisai	2015-02-13	• For the treatment of patients with locally recurrent or metastatic, progressive, radioactive iodine-refractory DTC • In combination with everolimus, for the treatment of patients with advanced RCC following one prior anti-angiogenic therapy • For the first-line treatment of patients with unresectable HCC
Cabometyx	Cabozantinib	Exelixis	2016-04-25	• patients with advanced RCC • patients with HCC who have been previously treated with sorafenib
Fotivda	Tivozanib	Aveo Oncology	2021-03-10	• Patients with relapsed or refractory advanced RCC

Note:

(1) EMA approval on November 21, 2014.

Source: Clinicaltrials.gov, Frost & Sullivan Analysis

Marketed Small Molecule Targeted VEGFR Therapies for Cancer Treatment in China

Brand Name	INN	Company	CFDA Approval	Indication	Approximate Average Monthly Cost (based on the latest bidding price)[1]	NRDL
Nexavar	Sorafenib	Bayer	2006-09-12	• Unresectable or distant metastatic hepatocellular carcinoma (HCC) • Unresectable advanced RCC	USD1,754	√
Sutent	Sunitinib	Pfizer	2007-10-30	• Gastrointestinal stromal tumor (GIST) after disease progression on or intolerance to imatinib mesylate	USD2,862	√
				• Unresectable RCC	USD2,862	
				• Adjuvant treatment of adult patients at high risk of recurrent RCC following nephrectomy progressive, well-differentiated pancreatic NET in patients with unresectable locally advanced or metastatic disease	USD2,146	
Aitan	Apatinib	Hengrui	2014-10-17	• Patients with recurrent or advanced gastric adenocarcinoma or gastric esophageal junction adenocarcinoma who have received at least two types of systemic chemotherapy before • HCC	USD1,594	√
Inlyta	Axitinib	Pfizer	2015-04-29	• Advanced RCC after failure of one prior systemic therapy	USD1,815	√
Votrient	Pazopanib	Novartis	2017-02-21	• Firstline treatment for advanced RCC and advance RCC patients who has been treated with cytokines before	USD2,954	√
Stivarga	Regorafenib	Bayer	2017-03-22	• mCRC previously treated with fluoropyrimidine-, oxaliplatin- and irinotecan-based chemotherapy, an anti-VEGF therapy, and, if RAS wild-type, an anti-EGFR therapy • Locally advanced, unresectable or metastatic GIST previously treated with imatinib mesylate and sunitinib • HCC who have been previously treated with sorafenib	USD2,381	√
Focus V	Anlotinib	CTTQ (a Sino Biopharma subsidiary)	2018-05-08	• Small Cell Lung Cancer, Advanced/Metastatic NSCLC, Advanced/Metastatic Medullary Thyroid Carcinoma, Advanced/ Metastatic Soft Tissue Sarcoma	USD991	√
Lenvima	Lenvatinib	Eisai	2018-09-04	• Patients with unresectable HCC who have not previously received systemic therapy	USD1,495	√

Source: CDE, FDA, Frost & Sullivan Analysis

Note: The pricing and reimbursement coverage is only available for China and is set by the MoHRSS.

VEGFR Small Molecule Targeted VEGFR Therapies for Cancer Treatment Under Clinical Development in China

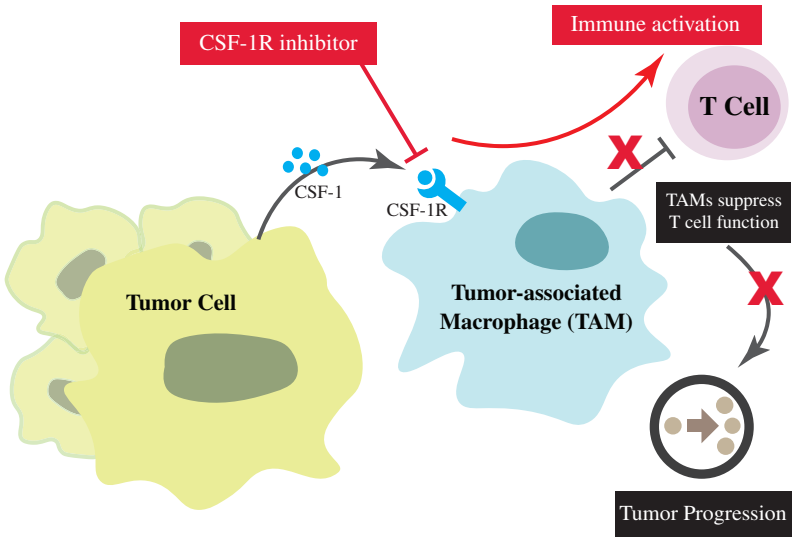
Drug Name	Company	Indication	Clinical Stage	Combo/Mono Therapy
Donafenib	Suzhou Zelgen Biopharmaceuticals	• Advanced Hepatocellular Carcinoma	NDA	Mono
Famitinib	Jiangsu Hengrui Medicine	• Advanced gastrointestinal stromal tumor	Phase III	Mono
		• Recurrent or Metastatic Cervical Cancer	Phase II	Combo
		• Advanced NSCLC	Phase II	Mono
		• Advanced urinary system tumors	Phase II	Mono
		• Intrahepatic cholangiocarcinoma	Phase II	Mono
CM082	Canaanji Medical Science (a Betta Pharma subsidiary)	• Metastatic Kidney Cancer	Phase II	Combo
EOC315	Taizhou Edding Group	• Gastric Cancer	Phase II	Combo
Sitravatinib	BeiGene	• Advanced/Metastatic Hepatocellular Carcinoma/Gastroesophageal Junction Carcinoma	Phase I/II	Mono/Combo

Source: Chinadrugtrials.org.cn, CDE, Frost & Sullivan Analysis

CSF-1R Pathway

Overview of CSF-1R Inhibitors

CSF-1R plays an important role in the functions of macrophages. The CSF-1R signaling pathway promotes recruitment of M2 macrophages to the tumor microenvironment. This type of tumor-associated macrophage facilitates the development of tumors by secreting proangiogenic and growth factors and suppressing T-cell effector function by releasing immune-suppressive cytokines. Several tumor types have been shown to overexpress the CSF-1 ligand. The diagram below illustrates the mechanism of action of CSF-1R inhibitors.



Source: Frost & Sullivan.

Notes: Colony-stimulating factor (CSF-1) is a cytokine that controls the proliferation, differentiation, migration and survival of tumor-associated macrophages (TAMs) via its receptor, CSF-1R. The presence of TAMs appears to be an adverse prognostic factor in many types of cancers, as TAMs suppress T cell proliferation and activation and cause immunosuppression in the tumor microenvironment. Inhibition of the CSF-1/CSF-1R pathway may therefore represent an appealing therapeutic strategy to regulate tumor microenvironment and improve efficacy of cancer treatment.

See "*Business – Our Clinical Pipeline – 2. Surufatinib VEGFR 1, 2 and 3, FGFR1 and CSF-1R Inhibitor – Mechanism of Action*" for more details.

Market Landscape

Our self-discovered and developed drug candidate surufatinib is an oral small molecule angio-immuno kinase inhibitor targeting VEGFR 1, 2 and 3, FGFR1 and CSF-1R. We believe that its unique angio-immuno kinase profile represents market opportunities as a monotherapy and in combinations with checkpoint inhibitors against various cancers.

Currently, Turalio is the only FDA approved CSF-1R inhibitor drug, and Sulanda is the only CSF-1R inhibitor drug that has been marketed in China. As such, this represents an unmet medical need and large potential market opportunity. A variety of small molecules and monoclonal antibodies directed at CSF-1R or its ligand CSF-1, are in clinical development both as monotherapy and in combination with standard treatments.

A summary of the competitive landscape of approved CSF-1R inhibitors and drug candidates in development in China and globally is set out below.

Marketed CSF-1R Targeted Therapies for Cancer Treatment Globally

Brand Name	INN	Company	FDA Approval	Indication
Turalio	Pexidartinib	Daiichi Sankyo	2019-08-02	• For the treatment of adult patients with symptomatic tenosynovial giant cell tumor (TGCT) associated with severe morbidity or functional limitations and not amenable to improvement with surgery

Source: Clinicaltrials.gov, FDA, Frost & Sullivan Analysis

CSF-1R Targeted Therapies for Cancer Treatment under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indications	Mono/Combo Therapy
AMB05X	AmMax Bio	Phase II	• Tenosynovial Giant Cell Tumor	Mono
BLZ945	Novartis	Phase II	• Amyotrophic Lateral Sclerosis	Mono
NMS-03592088	Nerviano	Phase I/II	• Acute myeloid leukemia, Chronic myelomonocytic leukemia	Mono
DCC-3014	Deciphera Pharmaceuticals	Phase I/II	• Advanced Malignant Neoplasm • Giant Cell Tumor of Tendon Sheath • Tenosynovial Giant Cell Tumor	Mono
Axatilimab SNDX-6352	Syndax	Phase II	• Chronic Graft-versus-host-disease	Mono
		Phase II	• Unresectable Intrahepatic Cholangiocarcinoma	Combo

Source: Clinicaltrials.gov, FDA, Frost & Sullivan Analysis

Syk and PI3Kδ/B-cell Signaling Pathways

B-cell Signaling Pathways

Targeting the B-cell signaling pathway is emerging as a potential means to treat both hematological cancer and immunological diseases. Inhibiting PI3Kδ and BTK, two kinases found along the B-cell signaling pathway, has proven to have clinical efficacy in hematological cancers, with three breakthrough therapies having been recently approved by the FDA. Syk is a key kinase upstream to PI3Kδ and BTK within the B-cell signaling pathway and therefore thought to be an important target for modulating B-cell signaling.

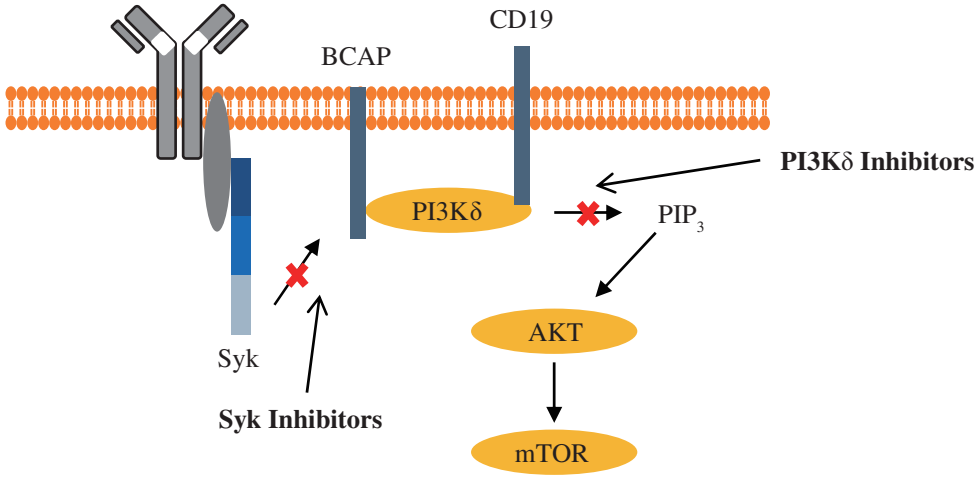
Overview of PI3Kδ Inhibitors

PI3Kδ is a lipid kinase that, through a series of intermediate processes, controls the activation of several important signaling proteins, including the serine/threonine kinase AKT. In most cells, AKT is a key PI3Kδ effector that regulates cell proliferation, carbohydrate metabolism, cell motility and apoptosis and other cellular processes.

Aberrant B-cell function has been observed in multiple immunological diseases and B-cell mediated malignancies. Therefore, PI3Kδ is considered to be a promising target for drugs that aim to prevent or treat hematologic cancer, autoimmunity and transplant-organ rejection and other related inflammation diseases. See "*Business – Our Clinical Pipeline – 4. HMPL-689 PI3Kδ Inhibitor – Mechanism of Action*" for more details.

Overview of Syk Inhibitors

Syk is a tyrosine kinase expressed primarily in hematopoietic cells like B cells, monocytes, macrophages, mast cells and neutrophils and is recognized as a critical element in the B-cell signaling pathway upstream to PI3Kδ and BTK. The diagram below illustrates the mechanism of action of Syk and PI3Kδ inhibitors.



Source: Frost & Sullivan.

Notes: PI3Kδ participates in the signal transduction of BCR in B cells and controls the development and maturation of B cells in the body. BCR is a membrane immunoglobulin. When the body is stimulated by an antigen, the specific surface immunoglobulin Ig on the surface of the BCR can bind to the antigen, leading to the phosphorylation of ITAM in the intracellular segment of the Igα/Igβ complex and the phosphorylated ITAM can recruit and activate Syk, and further activate BTK and its downstream pathways. Activated Syk can bind to the p85 subunit of PI3Kδ, activate PI3Kδ, and promote the generation of PIP3. The generated PIP3 can recognize and interact with the N-terminal domain of BTK to mediate the recruitment of BTK to the membrane, thereby activating BTK-mediated Guided B cell signal transduction, inducing the expression of many related genes. In addition, phosphorylated CD19 can also recruit PI3Kδ on the cell membrane, thereby activating PI3Kδ, catalyzing PIP2 to generate PIP3, promoting AKT activation, and regulating cell proliferation, migration, and apoptosis. Syk couples the B cell receptor for antigen (BCR) to the activation of mTOR.

See "*Business – Our Clinical Pipeline – 5. HMPL-523 Syk Inhibitor – Mechanism of Action*" for more details.

The safety threshold for a Syk inhibitor in chronic immunological diseases is extremely high, with no room for material toxicity. Our self-discovered and developed drug candidate HMPL-523, if approved, potentially could be the first selective Syk inhibitor for oncology that offers important safety advantages due to a unique pharmacokinetic profile based on promising early clinical results.

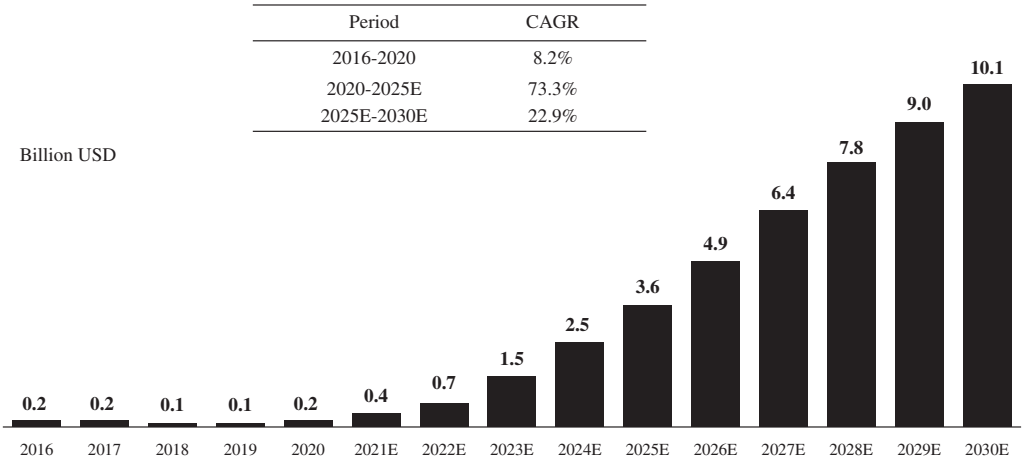
Although Syk has a specific inhibition profile, it may also affect other kinase pathways by identifying not only substrates of the kinase of interest but also substrates of off-target kinases. Off-target effects of Syk inhibitors include adverse events like diarrhea, nausea, and fatigue if the dosage is not properly controlled.

Market Landscape

Syk and PI3Kδ inhibitors have significant potential due to the large number of patients affected by hematological malignancies and immunological diseases. Safety needs to be balanced against efficacy as these patients live longer with their disease compared to many other types of cancers.

The market for PI3K therapies is expected to rise to US$10.1 billion globally by 2030 as shown in the chart below. There has not been significant growth in the global PI3K drug market in the past several years. However, as there was a recent new launch of a new PI3K inhibitor and several active late-stage programs, the global market is expected to experience an expansion.

Global Market for PI3K Therapies, 2016-2030E

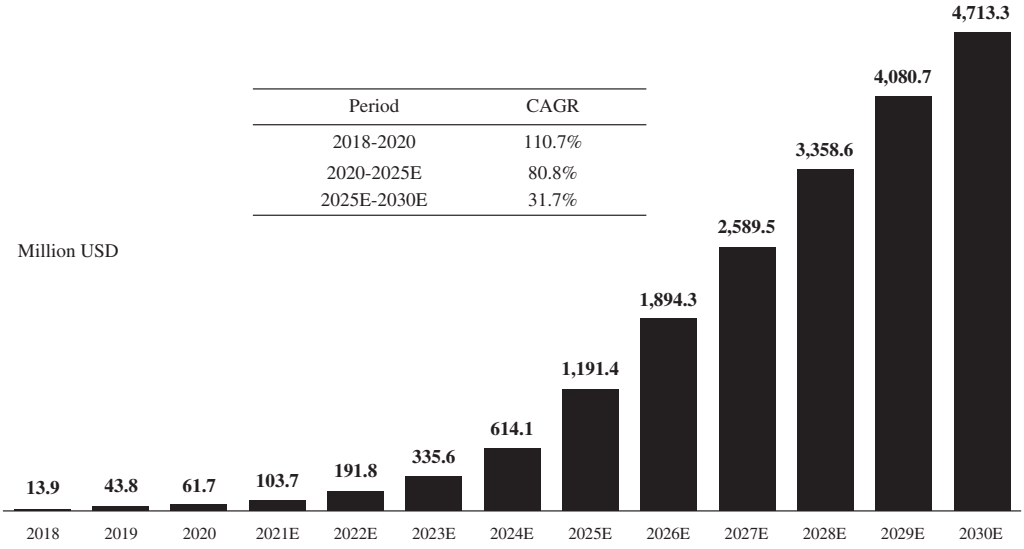


Note: E = estimated.

Source: Frost & Sullivan analysis.

The market for Syk therapies is expected to meet US$4.7 billion globally by 2030 as shown in the chart below. The global Syk drug market is still at a limited size since there is only one approved drug. As there are several drug candidates under Phase II studies, the market is expected to grow at an increased pace in the future.

Global Market for Syk Therapies, 2018-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

A summary of the competitive landscape of approved Syk inhibitors and drug candidates in development in China and globally is set out below.

Marketed Small Molecule Syk Targeted Therapies for Cancer Treatment in the U.S.

Brand Name	INN	Company	FDA Approval	Indication
Tavalisse	Fostamatinib	Rigel	2018-04-17	• For the treatment of thrombocytopenia in adult patients with chronic ITP who have had an insufficient response to a previous treatment.

Source: FDA, Frost & Sullivan Analysis

Small Molecule Syk Targeted Therapies under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indication	Mono/Combo Therapy
Gusacitinib ASN002	Asana BioScience	Phase II	• Chronic Hand Eczema	Mono
Entospletinib	Kronos Bio	Phase I/II	• Acute myeloid leukemia with NMP1 or FLT3 mutations	Combo
Cerdulatinib	Alexion Pharmaceuticals (being acquired by AZ)	Phase I/II	• Follicular lymphoma, non-Hodgkin lymphomas (NHL), small lymphocytic lymphoma • Peripheral T-cell lymphoma • B-Cell NHL	Mono
SKI-O-703	Oscotec	Phase II	• ITP	Mono

Source: Clinicaltrials.gov, Frost & Sullivan Analysis

Our self-discovered and developed drug candidate HMPL-689 is potentially selective PI3Kδ inhibitor with the best PI3Kδ isoform selectivity which we believe may offer advantages over currently approved drugs to minimize the risk of serious infection caused by immune suppression and compound-related toxicity.

Despite proven efficacy of other Syk inhibitors in clinical trials, the only small molecule drug candidate targeting Syk specifically that has been approved to date is Tavalisse for the treatment of chronic immune thrombocytopenia. Most Syk inhibitors studied have shown high levels of off-target toxicity as a result of lower kinase selectivity and their possibly poor pharmacokinetic properties.

We see potential for our Syk and PI3Kδ inhibitors to be combined with targeted therapies.

A summary of the competitive landscape of approved PI3Kδ inhibitors and drug candidates in development in China and globally is set out below.

Marketed Small Molecule PI3Kδ Targeted Therapies for Cancer Treatment in the U.S.

Brand Name	INN	Company	FDA Approval	Indication
Zydelig	Idelalisib	Gilead	2014-07-23	• Relapsed chronic lymphocytic leukemia (CLL), in combination with rituximab, in patients for whom rituximab alone would be considered appropriate therapy due to other co-morbidities • Relapsed follicular lymphoma (FL) in patients who have received at least two prior systemic therapies Relapsed small lymphocytic lymphoma (SLL) in patients who have received at least two prior systemic therapies
Aliqopa[1]	Copanlisib[1]	Bayer	2017-09-14	• Adult patients with relapsed FL who have received at least two prior systemic therapies
Copiktra[2]	Duvelisib[2]	Secura Bio	2018-09-24	• Relapsed or refractory CLL or SLL after at least two prior therapies Relapsed or refractory FL after at least two prior systemic therapies
Ukoniq	Umbralisib	TG Therapeutics	2021-02-05	• Relapsed or refractory marginal zone lymphoma (MZL) who have received at least one prior anti-CD20-based regimen. • Relapsed or refractory FL who have received at least three prior lines of systemic therapy.

Notes:

(1) Copanlisib is PI3Kα and PI3Kδ targeted.

(2) Duvelisib is PI3Kδ and PI3Kγ targeted.

Source: FDA, Frost & Sullivan Analysis

Small Molecule PI3Kδ Targeted Therapies for Cancer Treatment Under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indication	Mono/Combo Therapy
ME-401 (Zandelisib)	MEI Pharma	Phase III	• Follicular lymphoma, non-Hodgkin lymphomas (NHL), marginal zone lymphoma	Combo
HEC68498 (Parsaclisib)	Incyte	Phase II	• B cell malignant tumour	Mono/Combo
Tenalisib	Rhizen Pharmaceuticals	Phase II	• Hematological malignancy, NHL	Combo

Source: Clinicaltrials.gov, Frost & Sullivan Analysis

Small Molecule PI3Kδ Targeted Therapies for Cancer Treatment Under Clinical Development in China

Drug Name	Company	Clinical Stage	Indication	Mono/Combo Therapy
Duvelisib	CSPC (licensed from Secura Bio)	NDA	• Relapsed / Refractory Follicular Lymphoma	Mono
TQB3525[1]	CTTQ (a Sino Biopharma subsidiary)	Phase II	• Relapsed/Refractory Follicular Lymphoma	Mono
			• Relapsed/Refractory Mantle Cell Lymphoma (MCL)	Mono
SHC014748M	Nanjing Sanhome Pharmaceutical	Phase II	• Peripheral T cell lymphoma	Mono
			• Follicular lymphoma, marginal zone lymphoma	Mono
Linperlisib YY-20394	Shanghai YingLi Pharmaceutical and Hengrui	Phase II	• Relapsed and/or refractory peripheral T/NK cell lymphoma	Mono
			• Peripheral T-cell lymphoma • Follicular Lymphoma	Mono

Notes:

(1) TQB3525 is PI3Kα and PI3Kδ targeted.

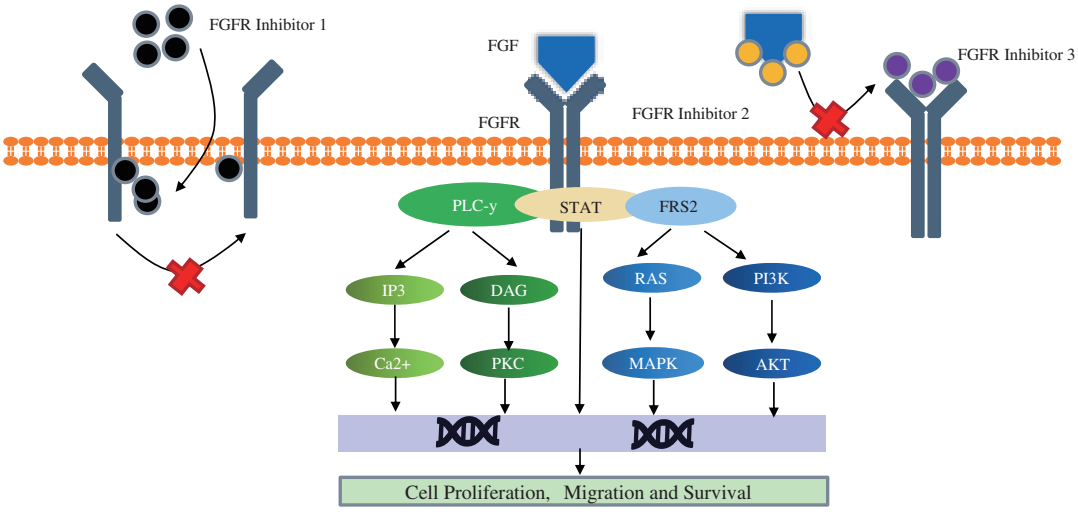
(2) Duvelisib is PI3Kδ and PI3Kγ targeted.

Source: Chinadrugtrials.org.cn, CDE, Frost & Sullivan Analysis

FGFR Pathway

Overview of FGFR Inhibitors

FGFR belongs to a subfamily of receptor tyrosine kinases. FGF/FGFR signaling regulates a wide range of basic biological processes, including tissue development, angiogenesis and tissue regeneration. Given the inherent complexity and critical roles in physiological processes, dysfunction in the FGF/FGFR signaling leads to a number of developmental disorders and is consistently found to be a driving force in cancer. The diagram below illustrates the mechanism of action of FGFR inhibitors.



Source: Frost & Sullivan.

Notes: As implied by their name, these receptors bind fibroblast growth factors which are members of the largest family of growth factor ligands comprising 22 members.

Phosphorylation of different downstream molecules activates the FGFR pathway and ultimately leads to cell proliferation, migration and survival.

See "*Business – Our Clinical Pipeline – 2. Surufatinib VEGFR 1, 2 and 3, FGFR1 and CSF-1R Inhibitor – Mechanism of Action*" and "*Business – Our Clinical Pipeline – 6. HMPL-453 FGFR Inhibitor – Mechanism of Action*" for more details.

Market Landscape

The global market for small molecule FGFR inhibitors is still at a size of US$84.1 million as there are only two drugs approved by FDA but is expected to grow to US$15.6 billion by 2030.

There is an unmet medical need and large potential market opportunity with respect to FGFR inhibitors. There are only two FGFR inhibitors approved for marketing, which are Balversa and Pemazyre, and such drugs have not been listed in China. Several small molecule FGFR tyrosine kinase inhibitors are in clinical trials for solid tumors, including our drug candidate HMPL-453.

A summary of the competitive landscape of approved FGFR inhibitors and drug candidates in development in China and globally is set out below.

Marketed FGFR Targeted Therapies for Cancer Treatment Globally

Brand name	INN	Company	Indication	FDA Approval	NMPA Approval
Balversa	Erdafitinib	Janssen (a J&J subsidiary)	• Urothelial Cancer	2019-04-12	-
Pemazyre	Pemigatinib	Incyte	• Cholangiocarcinoma	2020-04-17	-

Source: Clinicaltrials.gov, FDA, Frost & Sullivan analysis

FGFR Targeted Therapies for Cancer Treatment under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indication	Mono/Combo Therapy
Futinatinib TAS-120	Taiho Oncology (an Otsuka Holdings subsidary)	Phase III	• Advanced Cholangiocarcinoma	Mono
		Phase II	• Hepatocellular Carcinoma	Combo
		Phase II	• Advanced or Urothelial Cancer	Combo
		Phase II	• Gastric Cancer or Gastroesophageal Cancer	Mono
		Phase II	• Breast Cancer	Combo
Infigratinib BGJ398	QED Therapeutics	Phase III	• Advanced cholangiocarcinoma	Mono
		Phase III	• Urothelial Cancer	Mono
ABSK-091 AZD4547	AstraZeneca (out-licensed to Abbisko)	Phase II	• NSCLC	Combo
Derazantinib ARQ 087	Basilea	Phase II	• Intrahepatic cholangiocarcinoma	Mono
Bemarituzumab FPA144	Five Prime Therapeutics (an Amgen subsidiary)	Phase II	• Gastric Cancer	Combo
CH-5183284 Debio1347	Debiopharm	Phase II	• Solid tumor	Mono
E-7090	Eisai	Phase II	• Cholangiocarcinoma	Mono
Gunagratinib ICP-192	Beijing Innocare Pharm Tech	Phase II	• Bladder Urothelial Cancer	Mono
		Phase I/II	• Urothelial Carcinoma Cholangiocarcinoma	Mono
Roblitinib FGF401	Novartis/ Everest Medicines	Phase I/II	• Hepatocellular carcinoma	Mono
Fisogatinib BLU-554	CStone	Phase I/II	• Hepatocellular carcinoma	Combo

Source: Clinicaltrials.gov, CDE, Frost & Sullivan analysis

FGFR Targeted Therapies for Cancer Treatment under Clinical Development in China

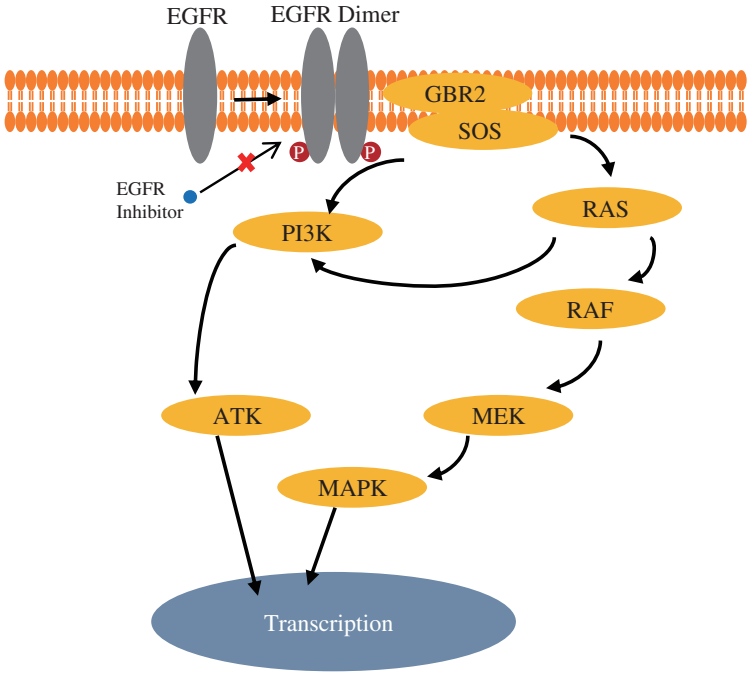
Drug Name	Company	Clinical trial	Indication	Mono/Combo Therapy
Erdafitinib	Xian Janssen (a J&J subsidiary)	Phase III	• Advanced urothelial carcinoma	Mono
Pemigatinib	Innovent (licensed from Incyte)	Phase III	• Cholangiocarcinoma	Mono
Gunagratinib ICP-192	Tiancheng/InnoCare	Phase II	• Bladder urothelial carcinoma	Mono
Bemarituzumab FPA144	Zai Lab/Five Prime Therapeutics (an Amgen subdisiary)	Phase II	• Gastric Cancer, GEJC	Combo
Roblitinib FGF401	Novartis/ Everest Medicines	Phase I/II	• Hepatocellular carcinoma or solid malignant tumor	Mono
Fisogatinib BLU-554	CStone	Phase Ib/II	• Hepatocellular carcinoma	Combo

Source: Chinadrugtrials.org.cn, CDE, Frost & Sullivan Analysis

EGFR Pathway

Overview of EGFR Inhibitors

EGFR is a protein that is a cell surface receptor tyrosine kinase for epidermal growth factor. Activation of EGFR can lead to a series of downstream signaling activities that activate tumor cell growth, survival, invasion, metastasis and inhibition of apoptosis. Treatment strategies for certain cancers involve inhibiting EGFRs with small molecule tyrosine kinase inhibitors. The diagram below illustrates the mechanism of action of EGFR inhibitors.



Source: Frost & Sullivan.

Notes: Activation of EGFR can lead to a series of downstream signaling activities that activate tumor cell growth, survival, invasion, metastasis and inhibition of apoptosis. Tumor cell division can happen uncontrollably when the pathway is abnormally activated through EGFRm+, gene amplification of wild type EGFR or over expression of wild type EGFR. Treatment strategies for certain cancers involve inhibiting EGFRs with small molecule tyrosine kinase inhibitors. Once the tyrosine kinase is disabled, it cannot activate the EGFR pathway and trigger downstream signaling activities, thereby suppressing cancer cell growth.

See "*Business – Our Clinical Pipeline – 9. Epitinib EGFR Inhibitor*".

Market Landscape

The global and China markets for small molecule EGFR inhibitors are expected to grow to US$23.3 billion and US$9.3 billion by 2030, respectively.

There are successful examples of clinical efficacy among patients with EGFR overexpression in tumor types such as CRC and head and neck cancer. Many EGFR inhibitors have been approved for the treatment of NSCLC with EGFR activating mutations.

A summary of the competitive landscape of approved EGFR inhibitors and drug candidates in development in China and globally is set out below.

Marketed EGFR Targeted Therapies for Cancer Treatment in China and Globally

Brand Name	INN	Company	FDA Approval	NMPA Approval	Indications	Approximate Average Monthly Cost (based on the latest bidding price)[1]	NRDL
Iressa	Gefitinib	AstraZeneca	2003-05-05	2004-12-06	• Advanced EGFR Mutation • Metastatic NSCLC	USD230	√
Conmana	Icotinib	Betta Pharma	-	2016-05-31	• Advanced EGFR Mutation • Metastatic NSCLC	USD887	√
Tarceva	Erlotinib	Roche and OSI Pharma (an Astellas Pharma subsidiary)	2004-11-18	2006-04-06	• Pancreatic Cancer	USD274	√
					• NSCLC	USD328	
Gilotrif	Afatinib	Boehringer Ingelheim	2013-07-12	2017-02-21	• Advanced EGFR Mutation • Metastatic NSCLC	USD766	√
Vizimpro	Dacomitinib	Pfizer	2018-09-27	2019-05-15	• Advanced EGFR Mutation • Metastatic NSCLC	USD2,612	x
Tagrisso	Osimertinib	AstraZeneca	2015-11-13	2017-03-22	• Advanced EGFR Mutation • Metastatic NSCLC	USD858	√
Ameile	Almonertinib/ Aumolertinib	Jiangsu Hansoh Pharmaceutical	-	2020-03-17	• Metastatic NSCLC	USD1,625	√
Olita[2]	Olmutinib	Hanmi Pharmaceutical	-	-	• NSCLC	-	x
Aifusha	Furmonertinib	Allist Pharmaceutical	-	2021-03-02	• NSCLC	USD5,275	x
Leclaza[3]	Lazertinib	J&J (exclude Korea)	-	-	• NSCLC	-	x

Notes:

(1) The pricing and reimbursement coverage is only available for China and is set by the MoHRSS.

(2) Ministry of Food and Drug Safety ("MFDS") Approval in May 2016.

(3) MFDS Approval in Jan 2021, developed by Yuhan, bought by Janssen for the development in the worldwide excluding the Republic of South Korea.

Source: FDA, NMPA, Frost & Sullivan Analysis

EGFR Targeted Therapies for Cancer Treatment Under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indications	Mono/Combo Therapy
Mobocertinib TAK-788	Takeda	Phase III	• Advanced/ Metastatic NSCLC	Mono
FCN-411	Ahon Pharmaceutical	Phase I/II	• Lung Cancer	Mono
DZD-9008	Dizal Pharmaceuticals	Phase I/II	• NSCLC	Mono

Source: Clinicaltrials.gov, CDE, Frost & Sullivan Analysis

EGFR Targeted Therapies for Cancer Treatment Under Clinical Development in China

Drug Name/Code	Company	Clinical Stage	Indication	Mono/Combo Therapy
Osimertinib	Wanbang Pharma	ANDA	• NSCLC	Mono
BPI-D0316	Betta Pharma	NDA	• NSCLC	Mono
RX518/ CK-101	Neu Pharma	Phase III	• Advanced NSCLC	Mono
Larotinib	HEC	Phase III	• Esophageal Squamous Cell Carcinoma	Mono
Mobocertinib TAK-788	Takeda	Phase III	• Locally advanced or metastatic NSCLC	Mono
SH-1028	Sanhome	Phase III	• Locally advanced or metastatic NSCLC	Mono
Mefatinib	Huadong Medicine	Phase III	• Locally advanced or metastatic NSCLC	Mono
ASK120067	Jiangsu Aosaikang Pharmaceutical	Phase III	• Locally advanced or metastatic NSCLC	Mono
BPI-7711	Betta Pharma	Phase III	• Advanced or metastatic NSCLC	Mono
D-0316/ BPI-D0316	InventisBio/ Betta	Phase II/III	• Locally advanced or metastatic NSCLC	Mono
Zorifertinib AZD3759	Alpha Biopharma	Phase II/III	• Advanced NSCLC	Mono
TL007	Jiangsu Medolution	Phase II	• Advanced NSCLC with brain metastasis or brain metastasis progression after EGFR-TKI treatment	Mono
SZMD4	Jiangsu Medolution /Teligene	Phase II	• Locally advanced or metastatic NSCLC, specialized on rare mutations without resistance	Mono
XZP-5809-TT1	Xuanzhu Biopharm	Phase I/II	• Locally advanced or metastatic NSCLC	Mono
FHND9041	CTFH	Phase I/II	• NSCLC	Mono
DZD-9008	Dizal Pharma	Phase I/II	• Advanced NSCLC With EGFR/ HER2	Mono

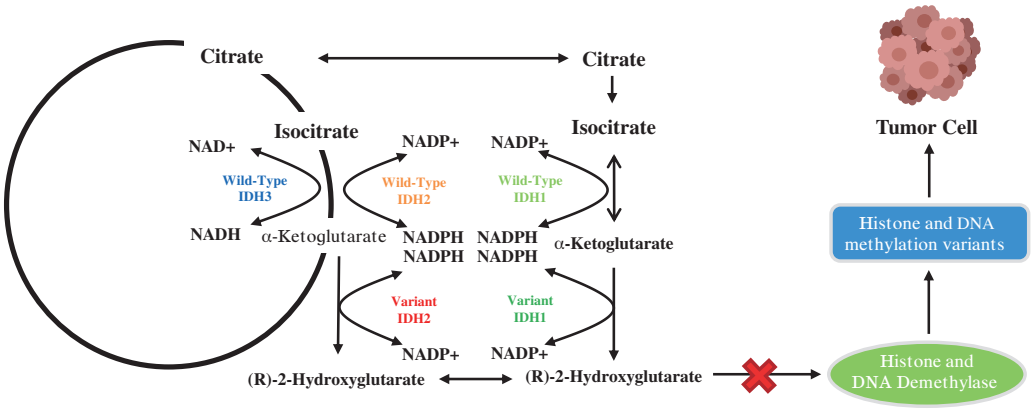
Source: Chinadrugtrials.org.cn, CDE, Frost & Sullivan Analysis

IDH

Overview of IDH1 and IDH2 Inhibition

IDH is a digestive enzyme used in the citric acid cycle. The reaction catalyzed by IDH is one of the most important sources of NADPH/NADH and other substances in cells. It also plays an important role in maintaining the steady state of cell redox balance. IDH1 and IDH2 are subtypes of IDH in the human body. IDH1 and IDH2 mutations have been implicated as drivers of certain hematological malignancies, gliomas and solid tumors, particularly among acute myeloid leukemia patients. The diagram below illustrates the mechanism of action of IDH inhibitors.

IDH1/2 Inhibitor Mechanism



Source: Frost & Sullivan.

Notes: The IDH family converts isocitrate to α-KG via oxidative decarboxylation, an important process for normal cellular metabolism. However, mutant IDH1/2 catalyze the reaction of α-KG to 2-HG, leading to accumulation of 2-HG in tumor cells. IDH inhibitors could restore 2-HG levels to normal physiological levels, induce tumor cell differentiation and ultimately stop tumor cell progression. Mutant IDH isoform switching, either from cytoplasmic mutant IDH1 to mitochondrial mutant IDH2, or vice versa, is a mechanism of acquired resistance to IDH inhibition.

See "*Business – Our Clinical Pipeline – 7. HMPL-306*".

Market Landscape

Currently, there are only two IDH inhibitor drugs (ivosidenib and enasidenib) approved by the FDA. Tibsovo is an approved therapy that specifically inhibits IDH1, while Idhifa is an approved therapy that specifically inhibits IDH2. Both of these drugs are for the treatment of adult patients with relapsed or refractory acute myeloid leukemia. To date, there are no approved therapies that inhibit both IDH1 and IDH2. Our drug candidate HMPL-306 currently in development is a novel small molecule dual-inhibitor of IDH1 and IDH2. A pan-IDH inhibitor, vorasidenib, is currently in late-stage development for glioma.

A summary of the competitive landscape of approved IDH inhibitors and drug candidates in development in China and globally is set out below.

Marketed IDH1&2 Targeted Therapies for Cancer Treatment in the U.S.

Brand Name	INN	Company	FDA Approval	Target	Indication
Tibsovo	Ivosidenib	Agios (divested to Servier)	2018-07-20	IDH1	• For the treatment of adult patients with relapsed or refractory acute myeloid leukemia with a susceptible IDH1 mutation
Idhifa	Enasidenib	Celgene (acquired by BMS)	2017-08-01	IDH2	• For the treatment of adult patients with relapsed or refractory acute myeloid leukemia with an IDH2 mutation

Source: FDA, Frost & Sullivan Analysis

IDH1&2 Targeted Therapies for Cancer Treatment Under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indication	Target	Mono/Combo Therapy
AG-881 (Vorasidenib)	Agios (divested to Servier)	Phase III	• Grade 2 Glioma • Residual Glioma • Recurrent Glioma	IDH1/2	Mono
Mobocertinib DS-1001b	Daiichi Sankyo	Phase II	• WHO Grade II Glioma	IDH1	Mono
FT-2102 (Olutasidenib)	Forma	Phase I/II	• Acute Myeloid Leukemia (AML) • Myelodysplastic Syndrome	IDH1	Combo

Source: Clinicaltrials.gov, Frost & Sullivan Analysis

IDH1&2 Targeted Therapies for Cancer Treatment Under Clinical Development in China

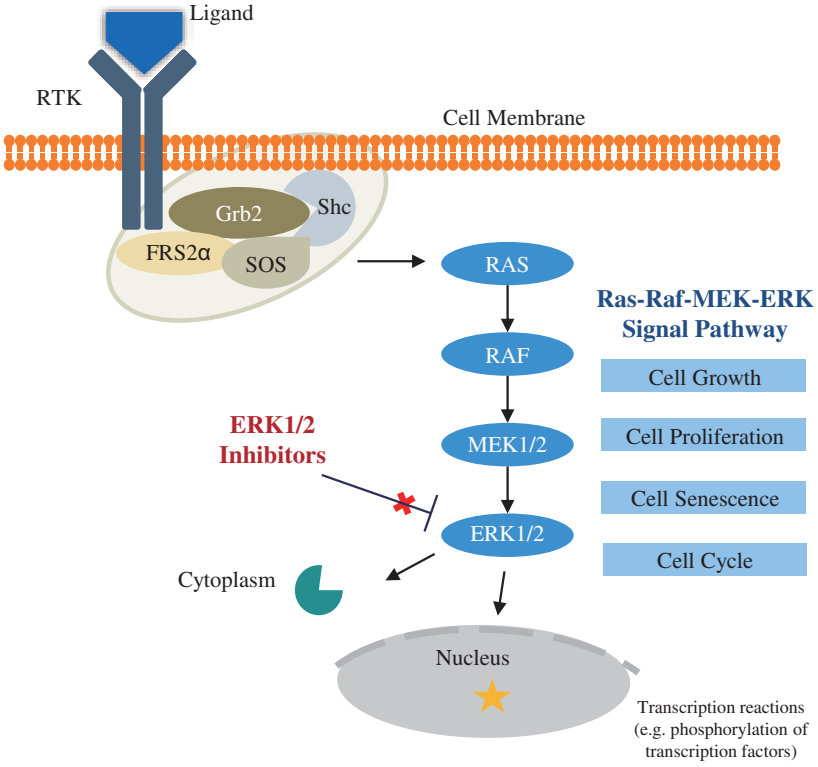
Drug Name	Company	Clinical Stage	Indication	Target	Mono/Combo Therapy
Enasidenib AG-221	Celgene (acquired by BMS)	Phase III	• Avanced Acute Myeloid Leukemia (AML)	IDH2	Mono

Source: Chinadrugtrials.org.cn, Frost & Sullivan Analysis

ERK

Overview of ERK Inhibition

ERK is a downstream component of the RAS-RAF-MEK-ERK signaling cascade (MAPK pathway). RAS-MAPK pathway is dysregulated in human diseases, particularly cancer, in which mutations or nongenetic events hyperactivate the pathway in more than 50% of cancers. Activating mutations in RAS genes occur in more than 30% of cancers. They predict worse clinical prognosis in a wide variety of tumor types, mediate resistance to targeted therapies and decrease the response to standard of care, target therapy and immunotherapy. On the MAPK pathway, KRAS inhibitors are under clinical evaluation, and acquired resistance develops for RAF/MEK targeted therapies. ERK inhibition has the potential to overcome or avoid the intrinsic or acquired resistance from upstream mechanisms. The diagram below illustrates the mechanism of action of ERK inhibitors.



Source: Frost & Sullivan.

Notes: Once a mutation is activated in RAS genes, ERK1/2 will phosphorylate a series of substrates in the cytoplasm and nucleus, including phosphoric acid, kinases, cytoskeletal proteins and transcription factors, which play an indispensable role in cell death and cell proliferation. After the constitutive phosphorylation of upstream effectors, ERK1/2 is activated to phosphorylate its cytoplasm and nuclear substrates, thereby promoting tumor growth. ERK1/2 inhibitors prevent the normal interaction between proteins and their substrates through ATP-related or non-ATP-related pathways, thereby inhibiting the activity of ERK1/2, thereby inhibiting tumor growth.

See "*Business – Our Clinical Pipeline – 8. HMPL-295*".

Market Landscape

Several ERK 1&2 inhibitor drugs are in clinical trials. Our drug candidate HMPL-295 is an investigative and highly selective small molecule inhibitor of ERK in the MAPK pathway with the potential to address intrinsic or acquired resistance from upstream mechanisms such as RAS-RAF-MEK.

A summary of the competitive landscape of approved ERK inhibitor drug candidates in development in globally is set out below.

ERK1&2 Targeted Therapies for Cancer Treatment Under Clinical Development Globally

Drug Name	Company	Clinical Stage	Indications	Mono/Combo Therapy
Ulixertinib (BVD-523)	BioMed Valley Discoveries	Phase II	• Advanced Solid Tumor • BRAF Gene Mutation • BRAF Gene Alteration • MEK Mutation • MEK Alteration • MAP2K1 Gene Mutation • MAP2K1 Gene Alteration • MAP2K2 Gene Mutation • MAP2K2 Gene Alteration	Mono/Combo
HH2710	Shanghai Haihe Pharmaceutical	Phase I/II	• Advanced Tumors • Melanoma • NSCLC • Erdheim-Chester Disease • Other RAS/RAF/MEK/ERK Mutated Tumors	Mono
ASTX029	Astex (an Otsuka subsidiary)	Phase I/II	• Solid Tumor, Adult	Mono

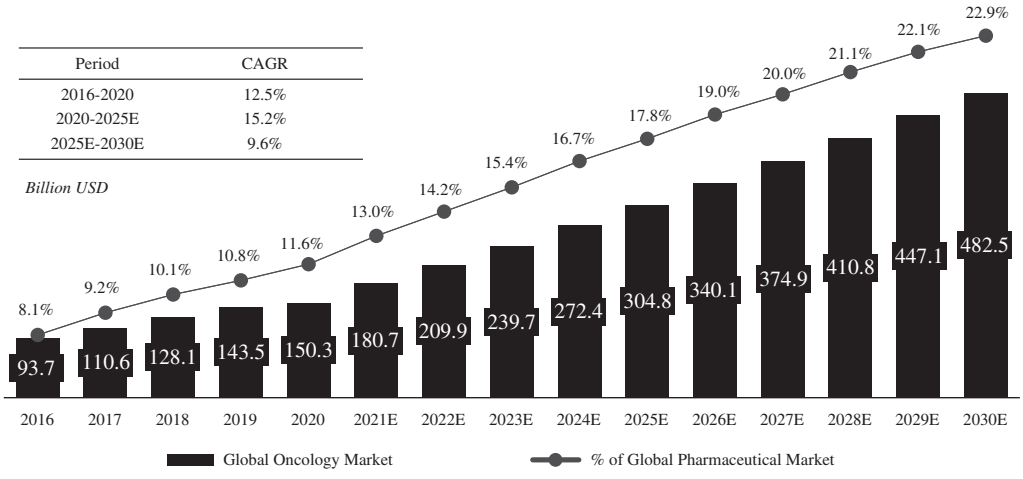
Source: Clinicaltrials.gov, CDE, Frost & Sullivan Analysis

OVERVIEW OF THE ONCOLOGY DRUG MARKET

Global Oncology Drug Market

The global oncology drug market is growing rapidly and expected to outpace growth in the overall pharmaceutical market. The market grew from US$93.7 billion in 2016 to US$150.3 billion in 2020, representing a CAGR of 12.5% during this period as compared to 3.0% growth in the overall pharmaceutical market during the period. Between 2020 and 2025, the global oncology market is expected to grow at a CAGR of 15.2% while the overall global pharmaceutical market is expected to grow at a CAGR of 5.7%. Between 2025 and 2030, the global oncology market is expected to grow at a CAGR of 9.6% while the overall pharmaceutical market is expected to grow at a CAGR of 4.2%. By 2030, the global oncology market is expected to grow to US$482.5 billion by 2030, representing 22.9% of the global pharmaceutical market compared to 11.6% in 2020, as shown in the following chart:

Global Oncology Drug Market, 2016-2030E



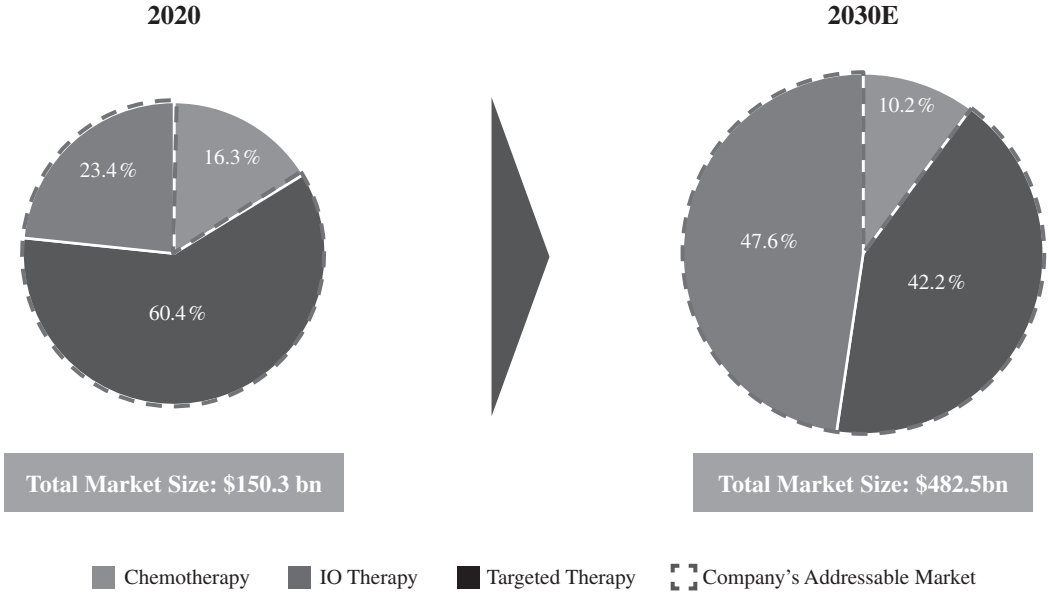
Note: E = estimated.

Source: *Frost & Sullivan analysis.*

Global Market for Targeted Therapies and Immunotherapies

In 2020, the global market for targeted therapies and immunotherapies reached a combined US$125.8 billion. The market is expected to grow to US$433.3 billion by 2030. Currently, targeted therapies and immunotherapies comprise 83.8% of the global market and are expected to comprise 89.8% by 2030 as shown in the chart below:

Breakdown of the Global Oncology Market by Therapy, 2020 and 2030E



Notes: bn = billion; IO Therapy = Immunotherapy; and E = estimated.

Source: Frost & Sullivan analysis.

Trends affecting growth in the U.S. oncology market generally foreshadow the development of the market globally, in particular the following factors:

Innovative oncology therapies are key growth drivers. Sales of new oncology drugs launched in the United States from 2013 to 2018 represented over 64% of the U.S. oncology market's growth during the period according to IQVIA Institute's Global Oncology Trends 2019 report.

Growth driven by earlier access to novel therapies. A key reason growth within the U.S. oncology market is seen as emblematic of the changing cancer treatment landscape in other developed countries is that it tends to have access to medicines earlier than the rest of the world. Other developed countries use centralized government price-setting and reimbursement coverage decisions, resulting in significantly slower reimbursement coverage.

Targeted indications command premium pricing. Median prices for new targeted therapy drugs have increased to US$175,000 in 2018, from a mean of US$144,000 during the period from 2012 to 2018 according to IQVIA Institute's Global Oncology Trends 2019 report. This is attributable to the large number of drugs being approved for a small number of patients and the significant clinical benefits brought by many new treatments.

Longer duration of treatment with novel therapies. Newer treatments extend survival and active treatment time frames. Furthermore, patients unable to take current cancer therapies or who have developed resistance to initial therapies may be able to take advantage of new options and lines of therapy.

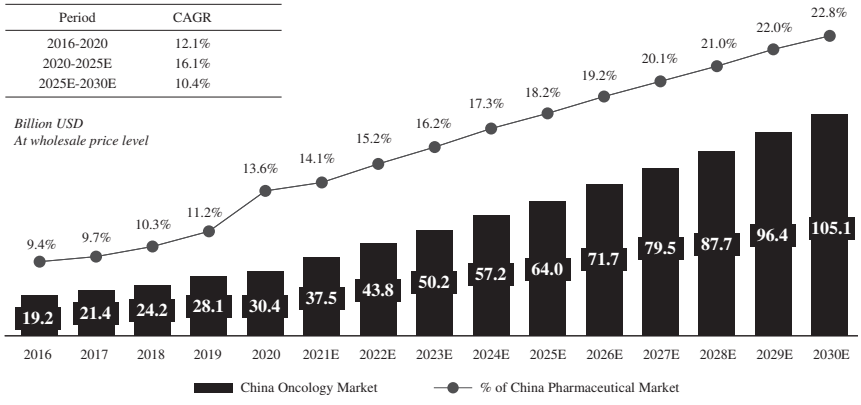
Use of combination therapies with novel therapies. The trend toward combination therapy is likely to continue to improve patient outcomes and drive growth in the U.S. market. Newly launched immuno-oncology drugs, which have dramatically impacted the treatment landscape, are supplements to be used in combination with, rather than as replacement of, existing targeted therapy treatments and are therefore expected to contribute to increased spending on drugs.

We anticipate that the foregoing factors will also contribute to revenue growth over time in the oncology market in China and elsewhere.

China Oncology Drug Market

The market for oncology drugs in China has grown rapidly in recent years and is expected to continue to maintain a high growth rate in the near future. In 2016, the market was US$19.2 billion, accounting for 9.4% of China's pharmaceutical market and increased to US$30.4 billion and 13.6% of China's pharmaceutical market in 2020. This represented a CAGR of 12.1%, and double-digit annual growth is expected to continue between 2020 and 2030, with the market expected to reach US$105.1 billion by 2030, accounting for 22.8% of China's pharmaceutical market, as shown in the following chart:

China Oncology Market 2016-2030E



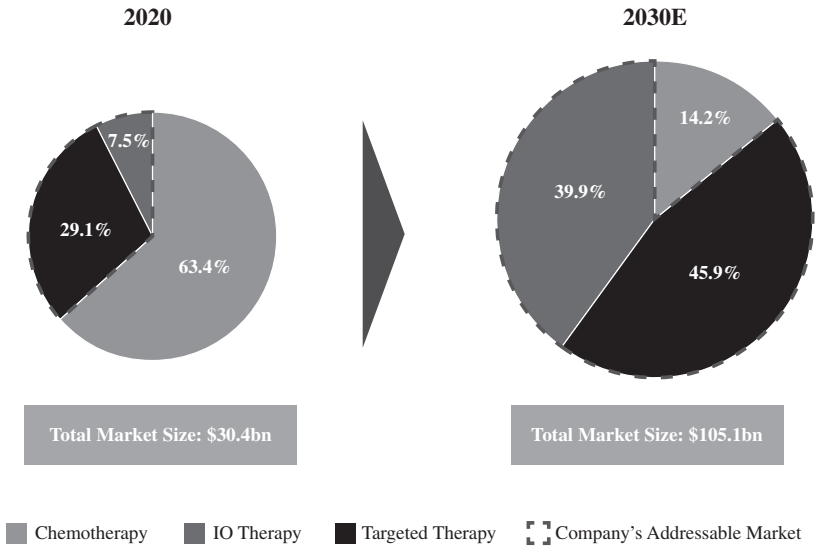
Notes: US$1 = RMB6.5; and E = estimated.

Source: Frost & Sullivan analysis.

China Market for Targeted Therapies and Immunotherapies

Unlike the global oncology market, China's oncology market is still dominated by traditional chemotherapies. The market for targeted therapies and immunotherapies in China was US$11.1 billion in 2020. With favorable policies, new drugs launched and increasing affordability for patients, this market is expected to grow to US$90.2 billion by 2030. By 2030, targeted therapies and immunotherapies are expected to comprise 85.8% of the market, as shown in the following chart:

Breakdown of the China Oncology Market by Therapy, 2020-2030E



Notes: At wholesale price level. bn = billion; IO Therapy = Immunotherapy; and E = estimated.

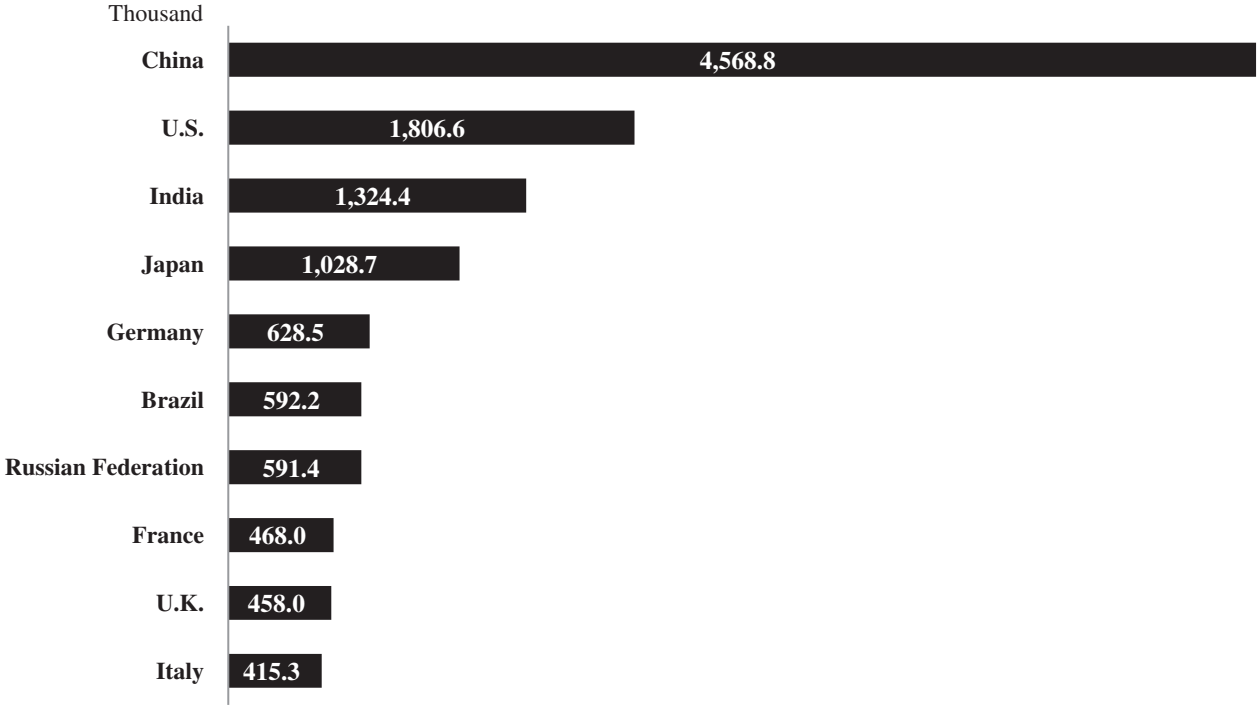
Source: Frost & Sullivan analysis.

Overall, the oncology drug market in China is growing at a faster pace than the global market, mostly attributable to China's large and growing cancer patient population with unmet medical needs, increasing patient access and affordability and favorable policies to support innovative drug development.

Large cancer patient population with unmet medical needs

Cancer incidence in China reached approximately 4.6 million new cases in 2020, accounting for approximately a quarter of global new cancer incidences. New cancer incidences in China are expected to grow to 5.2 million by 2025 and 5.8 million by 2030, respectively.

Cancer Incidences by Country, 2020



Sources: Global Cancer Observatory, WHO, ACS, NCCR, Frost & Sullivan analysis.

In 2019, the PRC government announced a Three-Year Plan for the Prevention and Treatment of Cancer which emphasizes policies to encourage the early detection of cancer. More new cancer cases are expected to be diagnosed through early detection.

The availability of oncology therapies in China has lagged behind other developed regions. Currently, there are only 43 oncology molecularly targeted drugs marketed in China, while there are as many as 107 options in the United States. Moreover, drugs approved in China have fewer approved indications compared with the same drugs approved by FDA. The market has demonstrated a rapid uptake of innovative oncology therapies when they were approved in China. For example, three new oncology drugs launched in China since 2010, Tagrisso, Herceptin and Avastin, have reached US$0.9 billion, US$0.8 billion and US$0.6 billion in sales in 2020, respectively.

Improving patient access and affordability

Both the increase in disposable income and the expansion of medical reimbursement coverage are expected to make oncology treatments more affordable in China, thereby increasing the market for oncology drugs.

Per capita disposable income of Chinese residents grew significantly from US$3,379.4 in 2015 to US$4,952 in 2020. However, the US$673.9 per capita health care spending in China still lags behind the US$11,559 recorded for the United States in 2019.

Moreover, the expansion of medical insurance coverage to reimburse more oncology drugs has presented a new opportunity for China's oncology market. From 2017 to 2020, a total of 53 new oncology drugs (excluding botanical oncology drugs) were included in the NRDL as Part B drugs, including Elunate. Some oncology drugs, such as paclitaxel, were also moved from Part B to Part A, making them eligible for full reimbursement. Of the 53 new oncology drugs included in the NRDL, the following drugs are indicated for similar indications as our drugs that are approved or pending approval: Stivarga targets third-line CRC in China, as does fruquintinib (approved for third-line CRC in China); Afinitor targets pancreatic NETs, as does surufatinib (an NDA under review for pancreatic NETs); and Sutent targets pancreatic NETs, as does surufatinib. The PRC government is expected to continue to expand the NRDL to include more innovative oncology drugs.

In 2018, China eliminated all import tariffs on oncology drugs. The zero-tariff policy reflects the Chinese government's dedication to catch up to the United States in the path to innovation by reducing market entry barriers. As more novel therapies enter the market, it is expected to increase Chinese patients' awareness and market acceptance of new cancer therapies and raise the bar for Chinese research and development.

There are a number of factors affecting the pricing of the same drug in different countries including but not limited to each company's business strategy, the current pricing of the standard of care, market demand, the structure of medical insurance coverage (public and private) available, the insurance and reimbursement coverage available, the distribution of pharmaceuticals, local and federal regulations on drugs and pricing and general economic conditions (including disposable income and GDP per capita).

Favorable policies to support innovative drug development

Historically, cumbersome pharmaceutical registration regulations led to limited availability of advanced therapies in China. Recently, the PRC government has enacted a series of policies to shorten the review and approval time for innovative drugs that address urgent medical needs. For example, the NMPA has reduced the timeline for new clinical trial application approvals to approximately 60 working days, which is similar to the United States.

The NMPA has also created a Priority Review approval system for drugs which meet urgent clinical needs or serious diseases. From 2016 and 2020, a total of 226 drugs have been approved under the Priority Review system, among which 7 and 4 were approved in 2016 and 2020, respectively. Our drug fruquintinib was approved through the Priority Review system. We will also look to receive Priority Review status for each of our other drug candidates at appropriate time.

In addition, a new market authorization holders system is being piloted which will allow for more flexibility in the use of contract manufacturing arrangements by biopharmaceutical companies. Furthermore, the PRC government has issued favorable tax policies, talent incentive programs and special public research and development subsidies to support innovative drug development by domestic companies.

With these reforms, more advanced cancer treatments are expected to enter the China market at an expedited pace. The increased availability of new and innovative therapies in China, combined with patients' heightened awareness of such treatments, are expected to foster the growth of China's oncology drug market.

In China and the United States, the time required for innovative drugs which are conducting global clinical trials to obtain the requisite approvals from the relevant local competent authorities to progress is approximately one year from the acceptance of NDA review by the relevant local competent authorities.

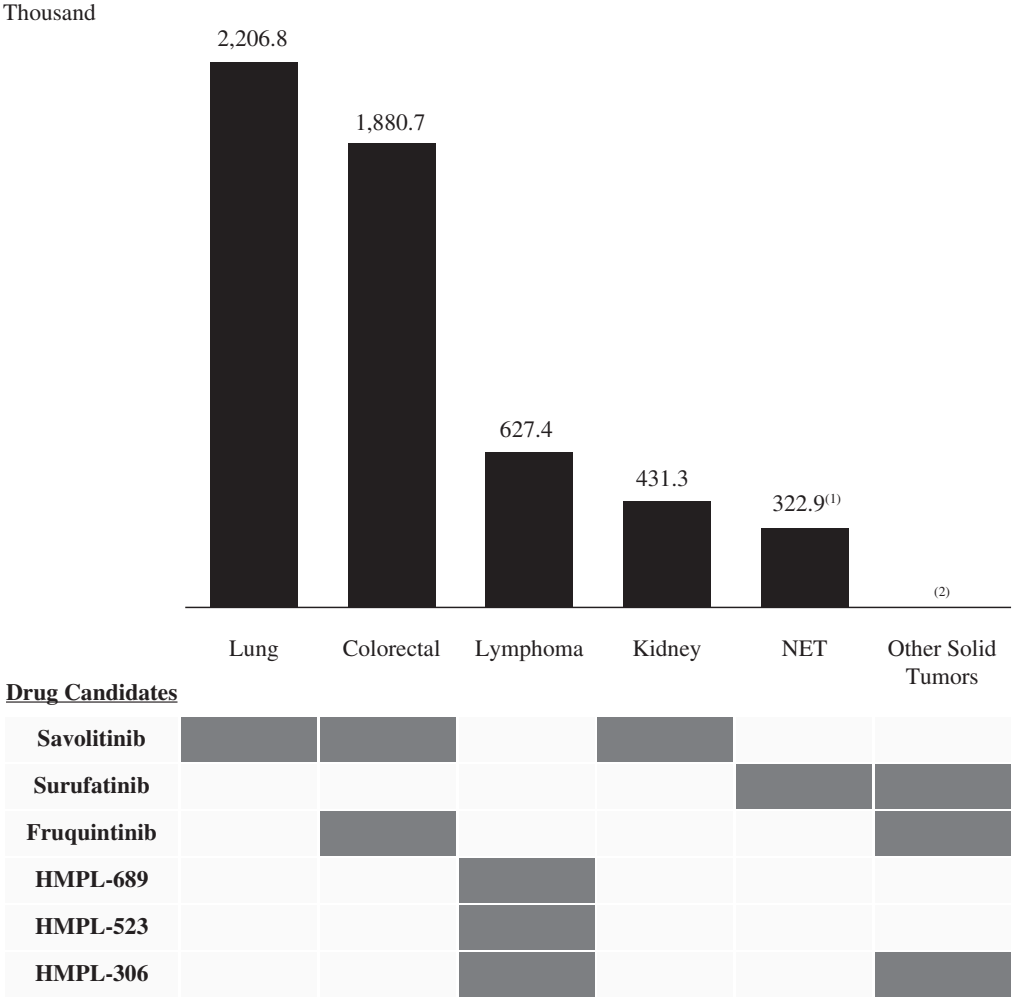
For further discussion of these regulatory reforms, see "– *China's Increasingly Favorable Regulatory Framework*."

OVERVIEW OF THERAPEUTIC AREAS OF INTEREST

Addressable Oncology Patient Populations Which are Targeted by Our Clinical-Stage Drug Candidates

Our drug candidates target oncology patient populations worldwide and in China. The two diagrams below illustrate the addressable cancer cases targeted by our clinical-stage product candidates, globally and in China, respectively:

New Cases of Addressable Cancers Globally, 2020

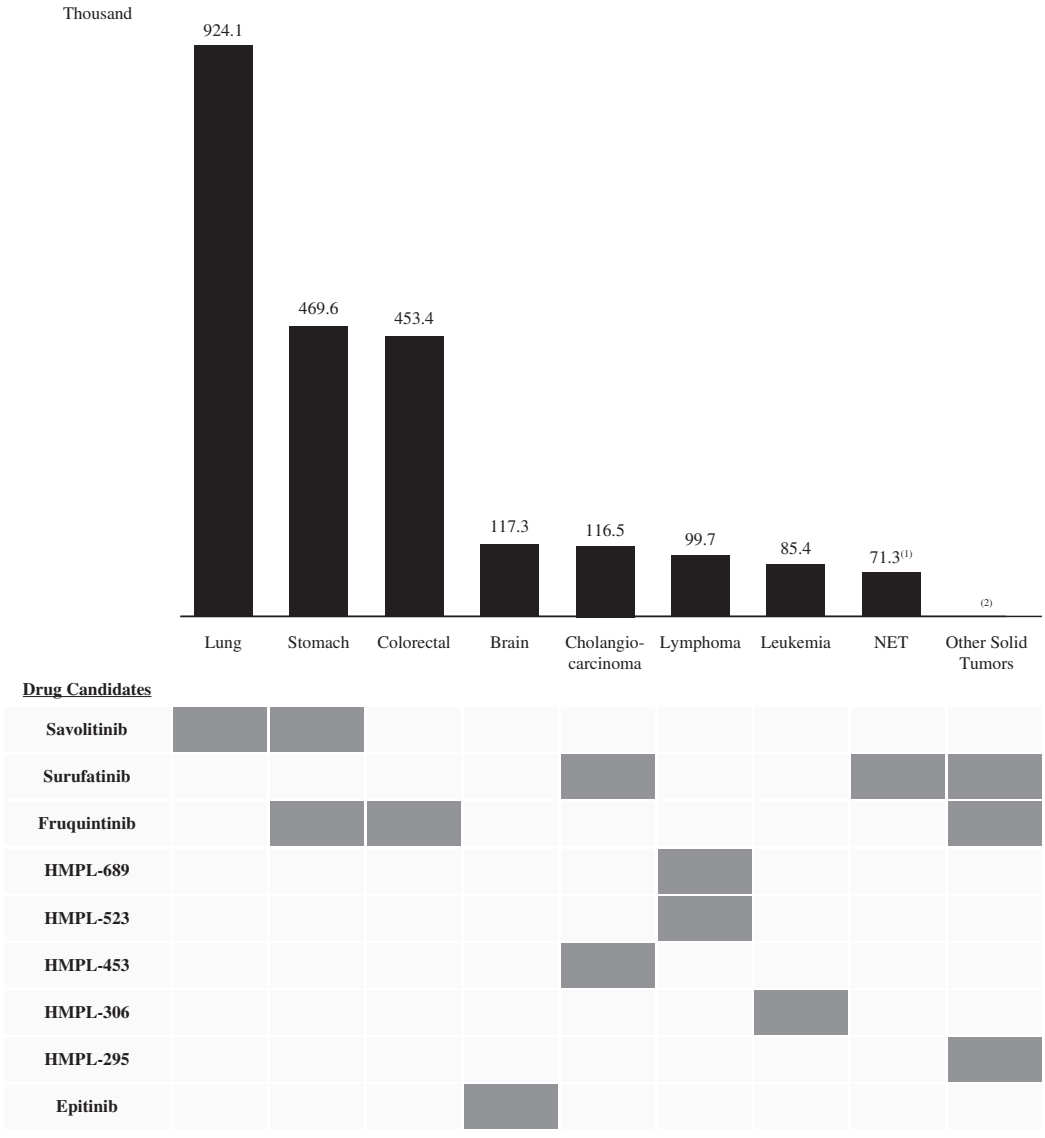


Notes: (1) NET = neuroendocrine tumors; NET patients' PFS is significantly longer than that of other cancer patients shown. See "– *Neuroendocrine Tumors*" for a further discussion; Only includes U.S. and China incidences.

(2) Phase Ib/II trials for fruquintinib in combination with checkpoint inhibitors in planning in solid tumors. We initiated a Phase Ib/II trial of surufatinib and tislelizumab in the U.S. and Europe in March 2021.

Source: Frost & Sullivan analysis; Company.

New Cases of Addressable Cancers in China, 2020



Notes: (1) NET = neuroendocrine tumors; NET patients' PFS is significantly longer than that of other cancer patients shown. See "– *Neuroendocrine Tumors*" for a further discussion.

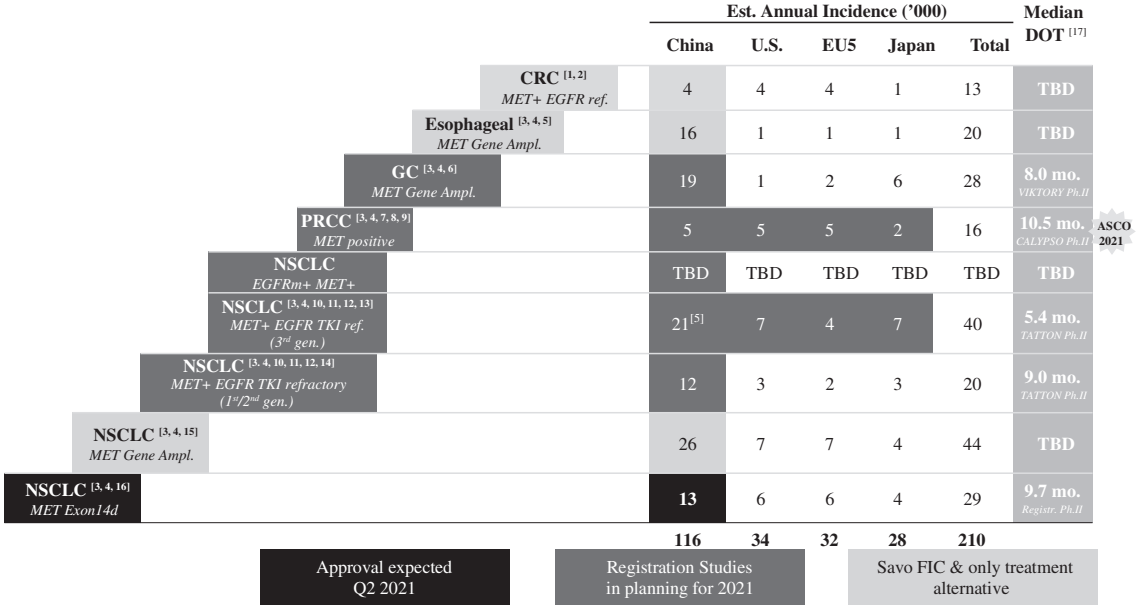
(2) Phase I studies of HMPL-295 in planning in solid tumors.

Source: Frost & Sullivan analysis; Company.

Market Potential of our Drug Candidates

The following tables illustrate the market potential for Savolitinib, Fruquintinib, Surufatinib, HMPL-689 and HMPL-523.

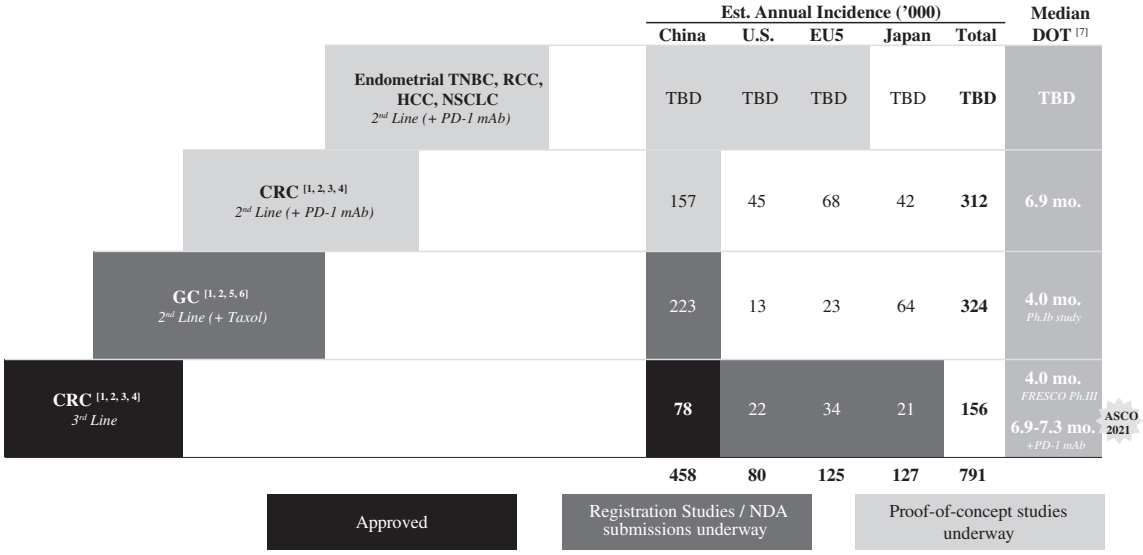
Market Potential for Savolitinib



Notes: All figures are estimates for preliminary illustrative purposes only.

[1] IQVIA; Merck KGaA financial report; Eli Lilly financial report; Company estimates; [2] Kanwal Raghav, et al. Oncotarget 2016; [3] GLOBOCAN; [4] SEER; [5] Denis L. Fontes Jardim, et al. Oncotarget 2014; Yanqiu Wang, et al. BMC Cancer 2019; Jochen K. Lennerz, et al.; [6] Haidar El Darsa, et al. Journal of Experimental Pharmacology 2020; [7] Ricketts, C. J. et al. Cell Rep. 2018; [8] Pignot, G. et al. Urology 2007; [9] Cancer Genome Atlas Research Network et al. NEJM 2016; [10] Zhang YL, et al. Oncotarget. 2016; [11] IQVIA; [12] Frost & Sullivan, Company estimates; [13] Estimates 50% EGFR+ patients in U.S., EU5 and Japan are treated with Tagrisso; [14] Estimates 30% EGFR+ patients in U.S., EU5 and Japan are treated with 1st/2nd generation EGFRi; [15] Ravi Salgia, Molecular Cancer Therapeutics, 2017; [16] Frampton GM, Ali SM, Rosenzweig M, et al. Cancer Discov. 2015; Company estimates; [17] DOT = duration of treatment in latest study.

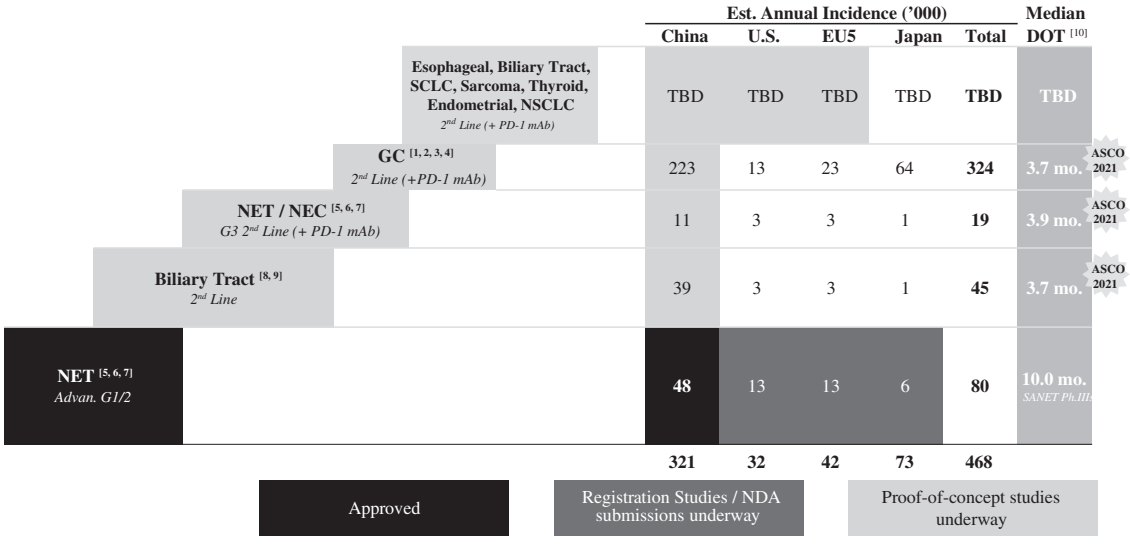
Market Potential for Fruquintinib



Notes: All figures are estimates for preliminary illustrative purposes only.

[1] Globocan; [2] SEER; [3] Markowitz, S. D., et al. NEJM 2009; [4] 3L estimated to be 50% of 1L and 2L estimated to be 30% of all CRC patients; [5] de Mello RA, et al. World J Gastroenterol 2013; [6] 2L estimated to be 70% of 1L and 1L estimated to be 70% of all gastric cancer patients; [7] DOT = duration of treatment in latest study.

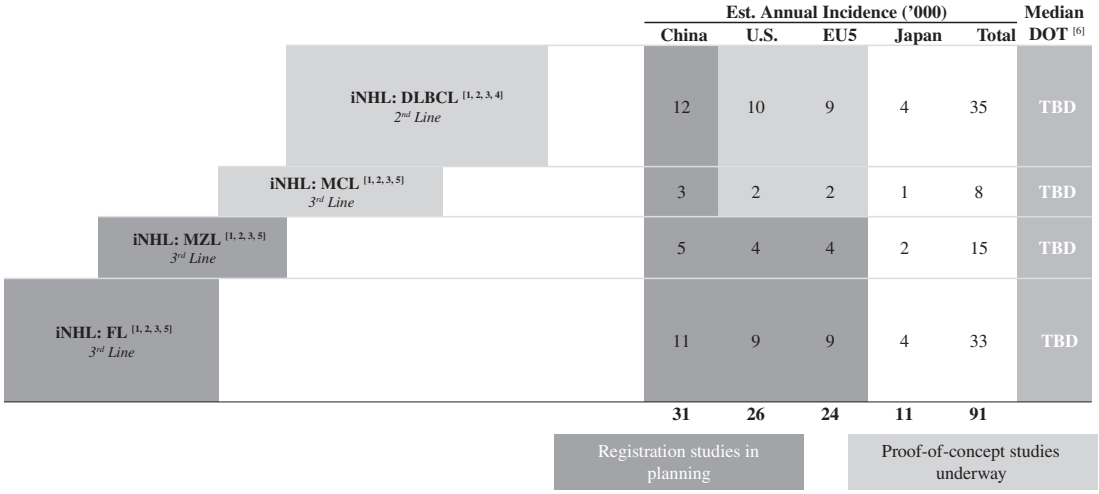
Market Potential for Surufatinib



Notes: All figures are estimates for preliminary illustrative purposes only.

[1] Globocan; [2] SEER; [3] de Mello RA, et al. World J Gastroenterol 2013; [4] 2L estimated to be 70% of 1L and 1L estimated to be 70% of all gastric cancer patients; [5] China and U.S. NET patient numbers from Frost & Sullivan; [6] EU5 and Japan NET patient numbers estimated based on relative population versus the U.S.; [7] Daniel M Halperin, et al. The Lancet 2017; [8] Supriya K. Saha, et a.l. The Oncologist 2016; Company estimates; [9] Estimates 40% BTC patients in 2L; [10] DOT = duration of treatment in latest study.

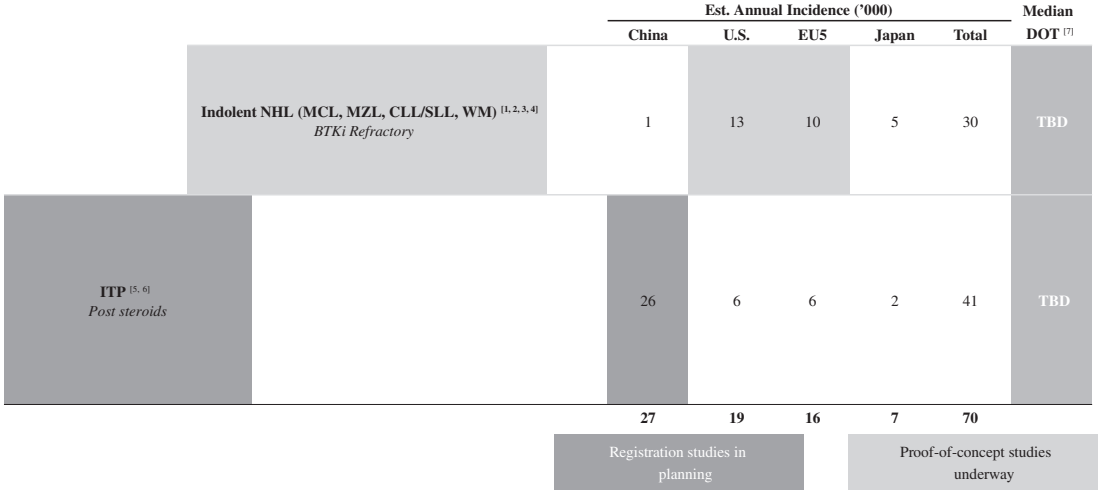
Market Potential for HMPL-689



Notes: All figures are estimates for preliminary illustrative purposes only.

[1] Globocan; [2] SEER; [3] NCCN; [4] Estimates 80% of DLBCL patients receiving 1 lines of therapy. 50% of treated DLBCL patients are considered to be adequately managed with 1L therapy; [5] Estimates 70% of FL/MZL/MCL patients receiving 2 lines of therapy; [6] DOT = duration of treatment in latest study.

Market Potential for HMPL-523



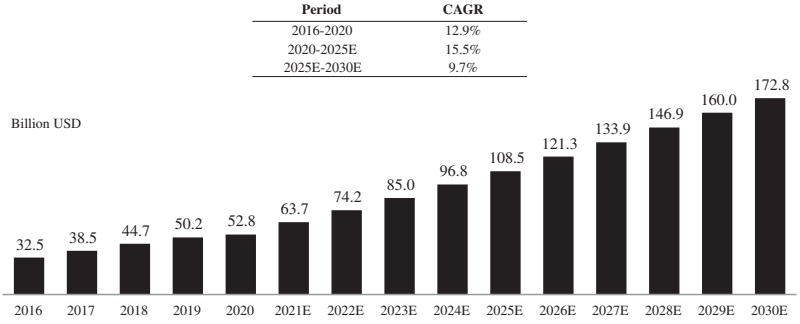
Notes: All figures are estimates for preliminary illustrative purposes only.

[1] Globocan; [2] SEER; [3] IQVIA; Abbvie financial report; J&J financial report; AstraZeneca financial report; BeiGene financial report; [4] In China, number of BTKi refractory patients estimated at 20% of patients treated in 2020; ex-China, number of BTKi refractory patients estimated at 50% of patients treated in 2020; [5] Chinese guideline on the diagnosis and management of adult primary immune thrombocytopenia (version 2020); [6] Lee JY, Lee JH, Lee H, et al. Thrombosis Research, 2017, 155: 86-91; [7] DOT = duration of treatment in latest study.

Non-small Cell Lung Cancer

Lung cancer is the most common cancer in the world and the leading cause of cancer-related deaths. Nearly 1.8 million people die from lung cancer every year. The global market for NSCLC therapies was approximately US$52.8 billion in 2020 and is expected to grow to US$172.8 billion by 2030, as shown in the chart below:

Global NSCLC Market, 2016-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

The five-year overall survival rates of all types of lung cancers are 21.7% and 19.7%, in the United States and China, respectively. NSCLC is a subtype of lung cancer which accounts for 85.0% of total lung cancer patients. Smoking is the leading risk factor for NSCLC. Other risk factors include exposure to radiation, air pollution and genetics.

In the United States, an estimated 194,500 new cases of NSCLC were diagnosed in 2020, and the number of incidences is expected to reach 238,100 by 2030. In the United States, approximately two-thirds of NSCLC patients are diagnosed at a late stage, with the five-year overall survival rate of only about 10.0%.

In China, there were an estimated 785,500 newly diagnosed NSCLC patients in 2020, and this number is expected to exceed one million by 2030. The majority of NSCLC patients are diagnosed when their disease is already at late stage, with approximately 17.0% patients at stage III and 50.0% at stage IV. The five-year overall survival rate of NSCLC patients in China is approximately the same as that in the United States, as a result of the availability of targeted therapies against EGFR mutations in China, which are prevalent in late-stage Chinese NSCLC patients.

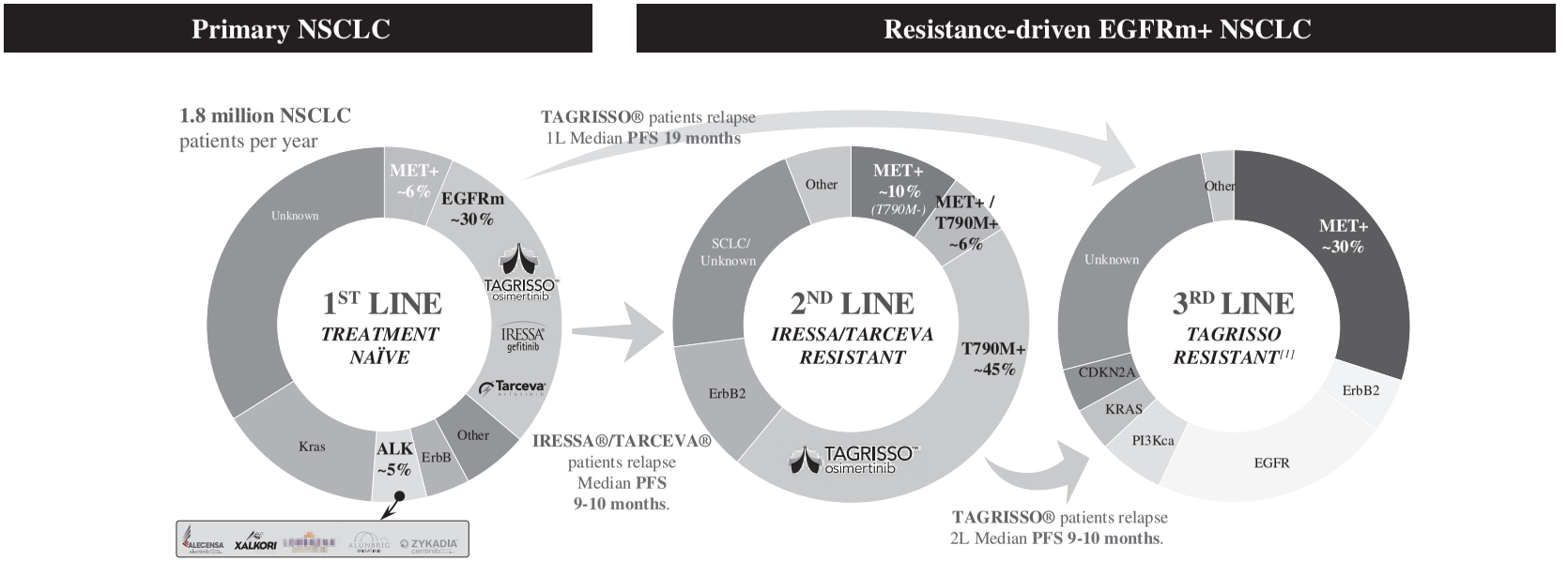
There have been significant breakthroughs in the development of effective immunotherapy and targeted therapies for NSCLC. A set of genetic abnormalities occurring in NSCLC have been identified as predictors for patients' responses to various targeted therapies, including EGFR and MET mutations as predictive biomarkers for advanced NSCLC. According to the guidelines of the National Comprehensive Cancer Network, a not-for-profit alliance of cancer centers devoted to patient care, research and education, targeted therapies are preferred over immunotherapies for patients whose tumors are positive for these genetic abnormalities.

EGFR mutations were the first biomarkers discovered to predict the response to targeted EGFR tyrosine kinase inhibitors. In the United States, approximately 46,500 persons, or 23.9% of NSCLC patients, are EGFRm+. For these patients, the National Comprehensive Cancer Network recommends Tagrisso as the preferred first-line treatment and as second-line treatment for patients who have progressed on a first-generation EGFR inhibitor. However, most of these patients eventually acquire resistance to this treatment, with median relapse occurring approximately 10 months after treatment with a first-generation EGFR inhibitor and 19 months after treatment with Tagrisso, a third-generation EGFR inhibitor, based on evidence in the Phase III FLAURA study. Eventually these patients develop resistance, indicating an unmet medical need in this setting. MET is a major driver for EGFR treatment resistance, and we believe that the savolitinib and Tagrisso combination that we are currently studying, if approved, could potentially be the first treatment option available for MET+ and patients with MET-driven resistance to first- second- or third-generation inhibitors.

In China, approximately 312,600 people, or 39.8% of NSCLC patients, are EGFRm+. The first-generation EGFR inhibitors, such as Iressa, Tarceva and Conmana are currently included on the NRDL for first-line treatment, and Tagrisso is currently included on the NRDL as a first- and second-line treatment. After the first-line treatment, these patients typically turn to Tagrisso or continue to use the first-generation EGFR inhibitors as their second-line treatment, and they have even fewer options for third-line treatment. As a result, there are market opportunities for next-generation targeted therapies with limited toxicity, as either monotherapies or as a combination with immunotherapies. Combinaton trials of savolitinib with Tagrisso are either in progress or in planning, which we believe positions us well to help address this unmet medical need.

The graph below shows the treatment paradigm for NSCLC patients who are EGFRm+ and have acquired resistance to first-generation EGFR inhibitors.

Treatment Paradigm for Patients Globally with Acquired Resistance in EGFRm+ NSCLC



Notes: (1) Primary drivers, based on aggregate rocelitinib/Tagrisso data published at 2016/2017 ASCO.

When initially diagnosed with advanced NSCLC, patients are recommended to undergo testing of their tumors to guide treatment. Patients whose tumors are found to be EGFRm+ are recommended for treatment with EGFR inhibitors, e.g. first generation EGFR inhibitors such as Iressa and Tarceva, or third-generation EGFR inhibitors, such as Tagrisso, which also inhibits the EGFR T790M mutation. Most of these patients' tumors eventually acquire resistance to such treatment through secondary aberrations. Approximately half of those treated with first generation EGFR inhibitors find their tumors develop the T790M mutation, and approximately a fifth of those develop additional aberrations, such as MET gene amplification. The former have the option to switch to Tagrisso, which blocks both the original EGFR mutation and the T790M mutation. However, approximately 30% of patients treated with Targrisso develop MET aberrations. Currently there are no targeted treatment options approved for patients that develop both EGFR and MET aberrations.

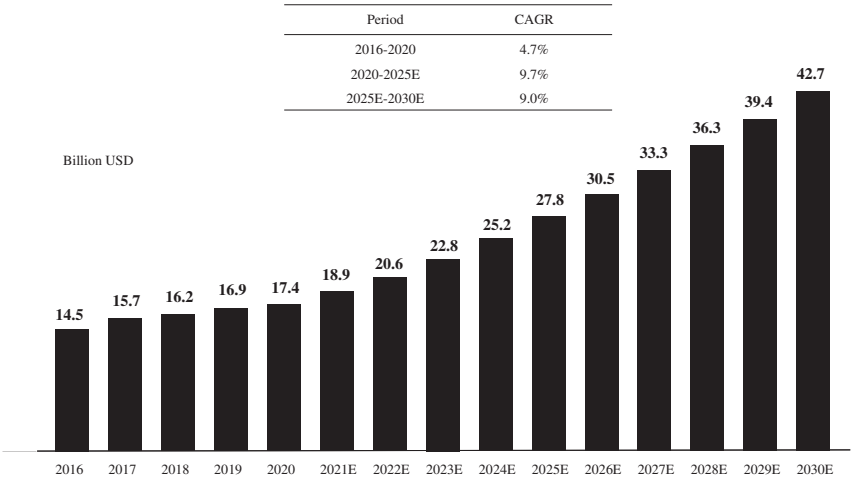
Source: Frost & Sullivan analysis.

Among EGFRm+ patients, the mutated driver gene MET can result in aberrant signaling through a number of mechanisms, including MET gene amplification and MET exon 14 skipping mutation. It is estimated that 4.0-6.0% of newly diagnosed NSCLC patients harbor genetic MET aberrations. Our drug candidate savolitinib, if approved, is expected to be the first therapy specifically targeting patients with these mutations in China.

Colorectal Cancer

CRC is the development of cancer in the colon or rectum. Globally, CRC is the third most commonly diagnosed cancer and the second leading cause of cancer-related deaths. The global market for CRC therapies was estimated to be approximately US$17.4 billion in 2020 and is expected to grow to US$42.7 billion by 2030, as shown in the chart below:

Global CRC Market, 2016-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

It is estimated that approximately 1.9 million new cases of CRC occurred in 2020 globally. Factors that contribute to an increased risk for CRC include old age, a history of polyps, inflammatory intestinal conditions, a low-fiber/high-fat diet and a sedentary lifestyle.

In the United States, CRC is the fourth most commonly diagnosed cancer and the second leading cause of cancer-related deaths. In the United States, there were about 148,000 new CRC cases in 2020 with a five-year overall survival rate of 64.7%. However, mCRC accounts for approximately 23.2% of the newly diagnosed CRC patients in the U.S., and their prognosis is not favorable, with a five-year overall survival rate of approximately 14.7%, representing an unmet medical need. There are many options for late-stage or mCRC patients in the United States, among which chemotherapies in combination with anti-VEGF or anti-EGFR targeted therapies are the most commonly used.

In China, CRC has become increasingly prevalent. The incidence of new cases of CRC in China is estimated to range from 453,400 to 550,000 in 2020, compared to 400,700 in 2016. CRC incidence in China is expected to grow further to 606,300 by 2030. The five-year overall survival rate of CRC in China, which is estimated to be 56.9%, is lower than that in the United States. In addition, approximately 27.5% of new incidences of CRC in China are diagnosed at metastatic stage, which is higher than that of the mCRC in the United States. Chemotherapies in combination with anti-VEGFR or anti-EGFR targeted therapies are the common therapies for late-stage CRC patients in China. As more novel targeted therapies are receiving approvals and these therapies become more affordable in China, late-stage CRC patients have begun to receive increasing lines of therapies. It is estimated that among all CRC patients in China, there are approximately 15% who are receiving third-line treatment. These patients have a median five-year overall survival rate of only approximately 10.0%, which is significantly lower than the five-year overall survival rate of CRC patients diagnosed at an earlier stage.

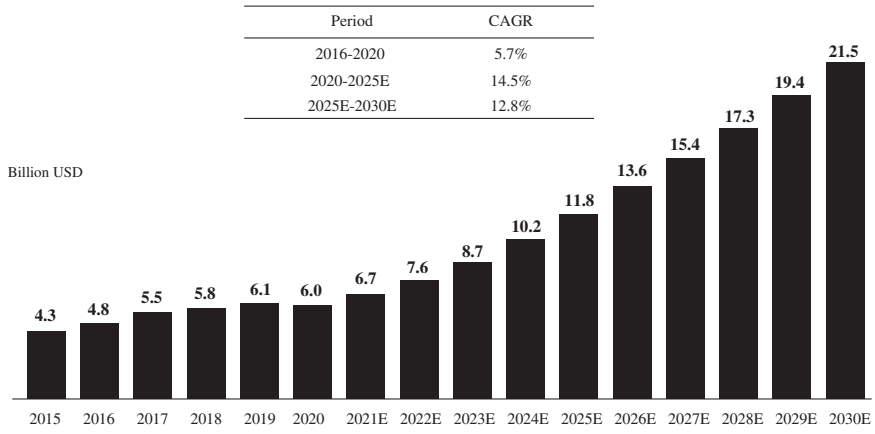
The Chinese guidelines for the management of colorectal liver metastases currently specifies the chemotherapeutic options when such disease progresses. It provides that drugs including fruquintinib, Stivarga and Erbitux can be considered for treatment of third- or fourth-line CRC. Among the available targeted therapies, fruquintinib has demonstrated numerically higher disease control rate, median PFS rate and median overall survival rate in a Phase III trial in Chinese third-line colorectal cancer patients. Due to its relatively benign effect on the liver, fruquintinib is the preferred treatment option over Stivarga in patients with liver metastasis. There were an estimated 22,000 new incidences of CRC with liver metastasis in China in 2020, most of which are in the late-stage third-line setting as demonstrated by the FRESCO study, which showed that approximately 70% of study evaluable patients had liver metastasis.

Neuroendocrine Tumors

NETs form in cells that interact with the nervous system or in glands that produce hormones. They can originate in various parts of the body, most often in the gut or the lungs and can be benign or malignant. NETs are typically classified as pancreatic NETs or other NETs.

The global market for NET therapies was estimated to be approximately US$6.0 billion in 2020 and is expected to grow to US$21.5 billion by 2030, as shown in the chart below:

Global NETs Market, 2016-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

There were 19,700 newly diagnosed cases of NETs in the United States in 2020, compared to 71,300 diagnosed cases in China of which 62,200 were non-pancreatic cases and 9,100 were pancreatic cases. The U.S. incidence of diagnosed NETs is estimated to be seven in every 100,000 people, and this rate is increasing with the current estimate representing a six-fold increase since the 1970s.

Importantly, NETs are associated with a relatively long duration of survival compared to other tumors and as a result, while incidence rates are modest, there is a relatively large population of NETs patients. For example, in our Phase III trials of surufatinib in non-pancreatic and pancreatic NETs, median PFS was around 10 months. This is longer than that in our Phase III FRESCO study of fruquintinib in CRC, where fruquintinib-treated patients had a median PFS of 3.7 months. This leads to both a larger patient population and longer average time on treatment per patient.

NET Prevalence in the United States, 2020

Cancer Type	Survival (% Patients – 5 Years)	Prevalence (Est. Patients)
Pancreas	56%	9,070
Other GI	–	72,851
Total GI NET	**58%**	**81,921**
Lung	61%	38,409
Other	63%	21,402
All NET	**60%**	**141,732**

Note: GI = Gastrointestinal.

Sources: American Cancer Society, International Neuroendocrine Cancer Alliance, Frost & Sullivan analysis.

Although long-acting analogues of somatostatin have an established place in the medical treatment of patients with NETs, additional treatment options are needed. Chemotherapy is infrequently used in NET treatment as it has limited efficacy in these tumors. Prior to the registration of surufatinib in China, approved targeted therapies for NETs are limited to Sutent and Afinitor, each indicated for subsets of NETs patients. According to the Frost & Sullivan, no new indications are being developed for Sutent in China while Afinitor is being developed for breast cancer and diffuse large B cell lymphoma in China. The Phase III studies of surufatinib in NET patients demonstrated meaningful effect in Chinese patients across different types of NETs in respect of objective response rate (19% vs 2% placebo in the pancreatic NET study and 10% vs 0% placebo in the non-pancreatic NET study, both differences were statistically significant), PFS (10.9 months vs 3.7 months placebo in the pancreatic NET study and 9.2 months vs 3.8 months placebo in the non-pancreatic NET study, both differences were statistically significant) and tolerability. Surufatinib was approved by the NMPA in December 2020 for the treatment of non-pancreatic NETs and is now being marketed in China. In addition, surufatinib also demonstrated some anti-tumor activity in patients who had progressed following prior tyrosine kinase inhibitor treatment with Sutent, Afinitor and famitinib. See "*Business – Our Clinical Pipeline – 2. Surufatinib VEGFR 1, 2 and 3, FGFR1 and CSF-1R Inhibitor*" for more information.

Kidney Cancer

Kidney cancer is a type of cancer that starts in the cells in the kidney. Approximately 90.0% of kidney cancer patients have RCC. The three most common RCC subtypes are clear cell renal cell carcinoma, PRCC and chromophore renal cell carcinoma. Approximately 388,200 new cases of RCC were diagnosed globally in 2020. The global market for kidney cancer therapies was estimated to be approximately US$5.8 billion in 2020 and is expected to grow to US$16.4 billion by 2030.

No targeted therapies have been approved specifically for PRCC, although some efficacy was observed for cabozantinib in an investigator sponsored study, PAPMET, which reported ORR of 23% and median PFS of 9 months in 44 patients not selected for MET status and who mostly (95%) did not receive prior systemic therapy (Pal SK, et al. Lancet. 2021). Modest efficacy in non-clear cell renal cell carcinoma has been reported in sub-group analyses of broader RCC studies of VEGFR (e.g., Sutent) and mammalian target of rapamycin (e.g., Afinitor) tyrosine kinase inhibitors, with ORR of less than 10% and median PFS in first-line setting of four to six months and second-line setting of only one to three months (ESPN study, Tannir N. M. et al.).

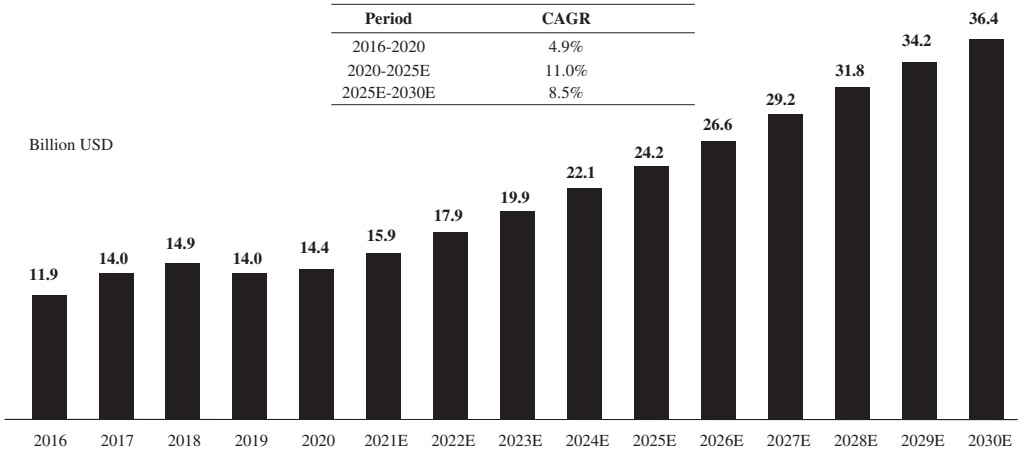
Anti-PD-1 and PD-L1 antibodies have been associated with clinical benefits in metastatic RCC, and MET dysregulation has been thought to play an important role in PRCC pathogenesis and is a mechanism of resistance against kinase inhibitors in clear cell renal cell carcinoma.

To address this market potential, we are developing savolitinib in combination with Imfinzi. Phase II data have shown that MET+ patients have a high response rate to monotherapy savolitinib treatment. Adding Imfinzi as a combination therapy may have added effectiveness, although the role of MET mutation in this setting remains to be better understood. In addition, in the broader kidney cancer setting, combinations of PD-1 or PD-L1 inhibitors with targeted therapies that have demonstrated positive single agent effect have shown incremental benefits. In first-line clear cell kidney cancer, for example, single agent treatment with the VEGFR inhibitor Inlyta showed an objective response rate of 34%, while single agent treatment with the PD-1 inhibitor Keytruda showed an objective response rate of 38%. However, treatment with both Keytruda and Inlyta showed an objective response rate of 59%.

Gastric Cancer

Gastric cancer is a cancer that develops in the lining of the stomach. Gastric cancer is the fifth most common cancer globally with an estimated 1,089,100 cases per year in 2020. The global market for gastric cancer therapies was estimated to be approximately US$14.4 billion in 2020 and is expected to grow to US$36.4 billion by 2030, as shown in the chart below:

Global Gastric Cancer Market, 2016-2030E



Note: E = estimated.

Source: Frost & Sullivan analysis.

Gastric cancer is especially prevalent in East Asian countries such as South Korea, Japan and China. There were an estimated 469,600 new incidences of gastric cancer in China in 2020. China's new incidences of gastric cancer are expected to grow to approximately 622,400 in 2030. The five-year overall survival rate of gastric cancer patients in China is 35.1%.

Advanced gastric cancer has a high unmet need, particularly in Asian populations, with limited treatment options for patients who have failed chemotherapy. As a result, we believe highly selective targeted therapies are critical to address a continued unmet need for this patient population. During the VIKTORY trial in Korea, approximately 3.5% of second-line patients were diagnosed with MET amplification. These patients with MET amplification generally have significantly poorer survival rates. We are developing fruquintinib in combination with Taxol for second-line gastric cancer treatment as well as savolitinib as a monotherapy for MET+ gastric cancer patients.

Hematological Cancer

Hematological cancer is a broad term used to describe cancers of the blood, which affect the production and function of blood cells. Most of these cancers start in the bone marrow where blood is produced. Hematological cancers are classified as leukemia (affecting blood and bone marrow), lymphoma (affecting the lymphatic system) and myeloma (affecting bone marrow). The two main categories of lymphoma are Hodgkin's lymphoma and non-Hodgkin lymphoma, and latter consists of B-cell type and T-cell or other types. Leukemia can be classified as acute leukemia and chronic leukemia according to different degrees of cell differentiation.

Conventional methods of treating hematologic cancers vary according to the specific disease or histology, but generally include chemotherapy, targeted therapy and, less frequently, radiation. Recently, chimeric antigen receptor T-cell (CAR-T) therapy has proven clinical efficacy in certain hematological cancers. The approval of CAR-T has enriched the therapy availability for hematological cancer patients. However, the therapy market is limited by numerous factors, including small volume of patients, complex logistics and high treatment cost.

The global market for hematological cancer therapies was estimated to be approximately US$52.5 billion in 2020 and is expected to grow to US$146.1 billion by 2030. The hematology drug market is still dominated by small molecular drugs and monoclonal antibodies. The top drugs in this category, Revlimid and MabThera (also known as Rituxan), reached sales revenue of US$12.1 billion and US$4.5 billion in 2020, respectively. In comparison, the aggregate sales for Kymriah and Yescarta, the two of five approved CAR-T therapies, were US$1.0 billion in 2020. The other three are Tecartus, Breyanzi and Abecma, the sales numbers of which are not available yet. On March 26, 2021, FDA announced its most recent CAR-T drug approval for Abecma.

Lymphoma

Lymphoma is a cancer that begins in lymphocytes, infection-fighting cells of the immune system. Non-Hodgkin lymphoma accounts for approximately 90.0% of all lymphoma incidences.

In China, new incidences of non-Hodgkin lymphoma grew from 83,700 in 2016 to 92,800 in 2020, representing a CAGR of 2.6% during the period. China's new incidences of non-Hodgkin lymphoma are expected to grow to 117,400 in 2030.

In the United States, new incidences of non-Hodgkin lymphoma grew from 72,600 in 2016 to 77,200 in 2020, representing a CAGR of 1.6% during the period. New incidences of non-Hodgkin lymphoma in the United States are expected to grow to 95,500 in 2030.

Chemotherapy is the main treatment for lymphoma. Depending on the type and the stage of the lymphoma, chemotherapy may be used alone or combined with other treatments, such as immunotherapy drugs or radiation therapy. There is a wide gap between China and the United States in terms of the five-year overall survival rates of lymphoma patients. Lymphoma patients in China have a five-year overall survival rate of 37.2%, compared to 74.7% in the United States due to the adoption of biologics such as Rituxan.

The abnormal activation of B-cell receptor signaling is closely related to the development of B-cell type hematological cancers, which represent approximately 85% of all non-Hodgkin lymphoma cases (i.e., B-cell malignancies). Targeted B-cell receptor signaling therapies, including monoclonal antibodies and small molecules, have been proven to be clinically effective for the treatment of B-cell malignancies. Notable success has been achieved in B-cell malignancies in oncology, where small molecule inhibitors are now being used to target kinases down-stream from Syk in the B-cell signaling pathway, namely BTK and PI3Kδ.

Acute Myeloid Leukemia

Leukemia is a cancer that starts in cells that would normally develop into different types of blood cells, but instead mutate. Acute myeloid leukemia is a fast-growing type of leukemia.

There were an estimated 29,900 incidences of acute myeloid leukemia in China in 2020. It is estimated that there will be 34,700 new incidences of acute myeloid leukemia in China in 2030. Acute myeloid leukemia occurs in children and adults of all ages but is primarily a disease of older adults, with a median age at diagnosis of 68 years. Acute myeloid leukemia is universally fatal without treatment, with a median survival of approximately two months. The vast majority of patients do not respond to chemotherapy and progress to relapsed/refractory acute myeloid leukemia.

Combination chemotherapy regimens with or without stem cell transplantation are frontline therapy options for patients with newly diagnosed acute myeloid leukemia. Older patients with newly diagnosed acute myeloid leukemia who are ineligible for intensive chemotherapy typically have poor outcomes and few available treatment options. There is a clear need for new treatments for acute myeloid leukemia.

We see potential for our Syk and PI3Kδ inhibitors to be combined with targeted therapies in this arena.

Biliary Tract Cancer

BTC is a heterogeneous group of rare malignancies arising from the biliary tract epithelia. Cholangiocarcinomas are the most common biliary malignancies, which can be further divided into intrahepatic and extrahepatic subcategories. Gemzar, a type of chemotherapy, is the major first-line therapy for BTC patients. Median survival is less than 12 months for patients with unresectable or metastatic disease at diagnosis.

There were an estimated 116,500 new incidences of cholangiocarcinoma in China in 2020. China's new incidences of cholangiocarcinoma are expected to grow to 157,100 in 2030. The five-year overall survival rate of cholangiocarcinoma patients after resection in China is approximately 11.7%.

There were an estimated 8,900 new incidences of cholangiocarcinoma in the United States in 2020. New incidences of cholangiocarcinoma in the United States are expected to grow to 12,500 in 2030. The five-year overall survival rate of cholangiocarcinoma patients in the United States is approximately 10% to 16% if the cancer has not yet spread to a distant part of the body.

There is currently no standard of care for cholangiocarcinoma patients who have progressed on chemotherapy. As a result, there is an unmet medical need for these patients. Our drug candidate surufatinib, given its unique angio-immuno profile, may offer a new targeted treatment option in this tumor type.

WHAT ARE IMMUNOLOGICAL DISEASES?

Immunological diseases, also known as autoimmune diseases, occur when a person's immune system mistakenly attacks its own body tissues. There are more than 100 types of autoimmune diseases, including, among others, rheumatoid arthritis and immune thrombocytopenia.

Overview of Treatment Options for Immunological Diseases

Immunological diseases in general cannot be cured, but the condition can be controlled in many cases. Traditional treatments include:

- anti-inflammatory drugs such as NSAIDS – to reduce inflammation and pain
- corticosteroids – to reduce inflammation

- disease-modifying antirheumatic drugs – to slow the progression of the disease
- pain-killing medication – such as paracetamol and codeine
- immunosuppressant drugs – to inhibit the activity of the immune system
- physical therapy – to encourage mobility

Targeted therapies, such as those targeting the B-cell signaling pathway, are now being used or studied for the treatment of a rapidly expanding number of immunological diseases. Janus tyrosine kinase, or JAK, inhibitors such as Xeljanz (JAK-3 inhibitor, marketed for rheumatoid arthritis and in development for ulcerative colitis, Crohn's disease and myelofibrosis), Jakafi (JAK-1/2 inhibitor, marketed for myelofibrosis and in development for acute myelogenous leukemia), Olumiant (JAK-1/2 inhibitor marketed for rheumatoid arthritis) and upadacitinib (JAK-1 inhibitor in development for rheumatoid arthritis, Crohn's disease, ulcerative colitis, atopic dermatitis, psoriatic arthritis and axial SpA); BTK inhibitors such as Imbruvica, Calquence, zanubrutinib and tirabrutinib marketed or in development for various hematological cancers; and TNFα inhibitors marketed for rheumatoid arthritis, such as Enbrel, Remicade, Humira and Cimzia.

Immune Thrombocytopenia

Immune thrombocytopenia, or ITP, is a clinical syndrome in which a decreased number of circulating platelets (thrombocytopenia) manifests as a bleeding tendency, easy bruising or extravasation of blood from capillaries into skin and mucous membranes.

The prevalence of ITP in China was 210,600 in 2020, and is expected to grow to 230,700 by 2030. In the United States, ITP is considered a rare disease with a prevalence of 37,400 in 2020.

Current treatments for ITP are inadequate since they do not reverse the disease progression and generally do not result in durable remissions. Novel agents that are currently in development target certain key steps in the disease process, including the interaction between T-cell and antigen presenting cells, the binding of the Fc portion of platelet autoantibodies to Fc-receptors on macrophages and the signaling pathways leading to platelet phagocytosis by macrophages (Syk inhibition).

Rheumatoid Arthritis

Rheumatoid arthritis is the most common autoimmune inflammatory arthritis in adults. It is a chronic inflammatory disease that can affect more than just joints and can cause systemic damage.

The global market for rheumatoid arthritis treatments is projected to be approximately US$65.7 billion by 2030. The prevalence of rheumatoid arthritis in China has steadily risen. The number of rheumatoid arthritis incidences in China was estimated to be 6.0 million as of 2020. In the future, risk factors associated with rheumatoid arthritis, including aging, environment and obesity, are expected to contribute to a larger number of rheumatoid arthritis cases.

Although China has one of the largest rheumatoid arthritis patient populations in the world, the current treatment options for rheumatoid arthritis patients in China are limited due to their high cost, poor efficacy and poor safety profile. Therefore, there is substantial market potential for new rheumatoid arthritis therapies. However, drugs which are biosimilar to TNFα inhibitors such as Enbrel and Humira are expected to become available in China which will significantly enhance the affordability of such drugs for patients.

CHINA'S INCREASINGLY FAVORABLE REGULATORY FRAMEWORK

China's regulatory framework is becoming increasingly favorable for the development and commercialization of innovative drugs that address unmet medical needs. The Chinese government has designated the pharmaceutical industry as one of China's "pillar industry sectors," aiming to transform China into an innovation-focused economy.

Expanded Reimbursement Coverage for Innovative Drugs

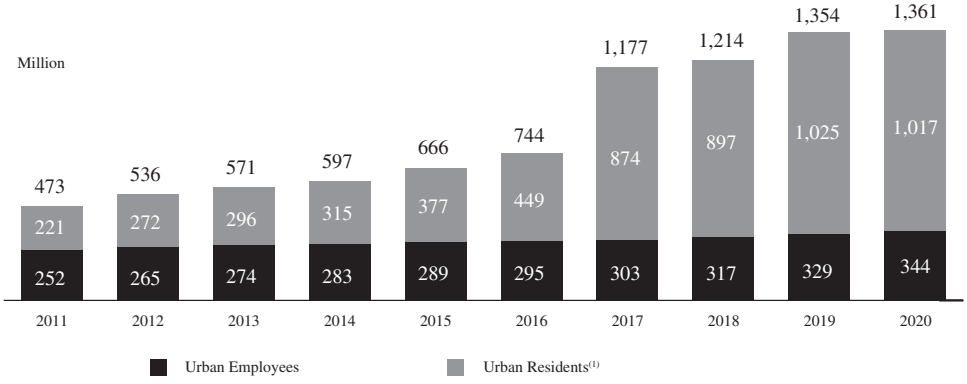
Overview of Medical Insurance in China

Historically, most of Chinese healthcare costs have been borne by patients out-of-pocket, which have limited the growth of more expensive pharmaceutical products like oncology drugs. However, in recent years the number of people covered by government and private insurance has increased. The National Medical Insurance Program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council in December 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program under which the insurance premium is jointly contributed by the employers and employees. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the NRDL.

The PRC Ministry of Labor and Social Security, together with other government authorities, has the power to determine the medicines included in the NRDL, which is divided into two parts, Part A and Part B. The Part A catalogue typically includes low-priced and clinically necessary drugs that are fully reimbursed and the Part B catalogue typically includes higher-priced or new drugs that generally require a 10% to 30% co-payment from patients. The Ministry of Human Resources and Social Security or MoHRSS, sets the drug reimbursement price for all drugs included in the NRDL.

The Chinese basic medical insurance scheme consists of the Urban and Rural Residents Basic Medical Insurance Scheme (URBMIS) and the Urban Employee Basic Medical Insurance Scheme (UEBMIS). According to MoRHSS, URBMIS and UEBMIS covered 1,017 million and 344 million people in China, respectively, as of December 31, 2020.

Urban Population Enrollment in National Basic Medical Insurance, 2011-2020



Note: (1) Includes rural residents since 2017.

Sources: National Medical Insurance Bureau ; MoHRSS; Frost & Sullivan Analysis.

Expansion of National Reimbursement Drug List to Include Innovative Drugs

Since 2000, the MoHRSS has published six versions of the NRDL, with each update adding a large number of drugs. In December 2020, NHSA and MoHRSS released the official work plan for the adjustment of the 2020 NDRL: 162 drugs were involved in price negotiations and 119 were successfully negotiated. Drug prices fell the most during the 2020 round of negotiations. The average decline of drug prices was 50.64%. In 2020, 17 new oncology drugs (including 3 types of generic drugs) entered Part B of the 2020 NDRL.

Inclusion into the NRDL typically results in a much higher sales volume and significant sales growth despite a reduction in the price. For example, after being included in the NRDL in July 2017, Avastin's sales revenue increased by 86% from 2017 to 2018. Tagrisso, which was approved in March 2017, was included in the NRDL in October 2018, and its 2018 sales revenue increased by approximately 325% in comparison with 2017 market performance. Herceptin was included in the NRDL in July 2017, and its 2018 sales revenue increased by approximately 50% in comparison with its 2017 market performance. Recent publicly available data have shown that other drugs have experienced a similar pattern, with sales volume increases more than compensating for price reductions from inclusion on the NRDL, such as Stivarga, Aitan, Focus V, Sutent, Afinitor and Sandostain LAR.

Regulatory Reform in Relation to New Drug Registration

In October 2017, the General Office of the State Council released Opinions on Reform of the Drug and Medical Device Review and Approval (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見). The opinions aim to encourage innovation, accelerate drug development and approval, and reform clinical trial and life-cycle management.

	Content	Potential Benefits
Reforming clinical trial management	■ Implementing record-filing system instead of qualification for clinical trial sites ■ Accepting clinical trial data generated abroad ■ Improving the efficiency of ethics review, optimizing the approval procedure for clinical trials	✓ Increasing availability of clinical trial sites ✓ Making simultaneous marketing in domestic and overseas markets possible ✓ Shortening the approval time of IND applications
Accelerating review and approval	■ Accelerating the review and approval of drugs with urgent clinical needs	✓ Shortening the approval time of NDA applications
Encouraging innovation	■ Enhancing protection of patents and clinical trial data ■ Developing pilot pharmaceutical patent term compensation system ■ Making dynamic adjustment to National Reimbursement Drug List	✓ Extending the patent term of innovative drugs ✓ Raising the affordability and availability of innovative drugs
Lifecycle management	■ Implementing the Marketing Authorization Holder (MAH) system	✓ In favor of innovative small and medium-sized enterprises and start-ups who can benefit from a wider range of R&D and manufacturing options

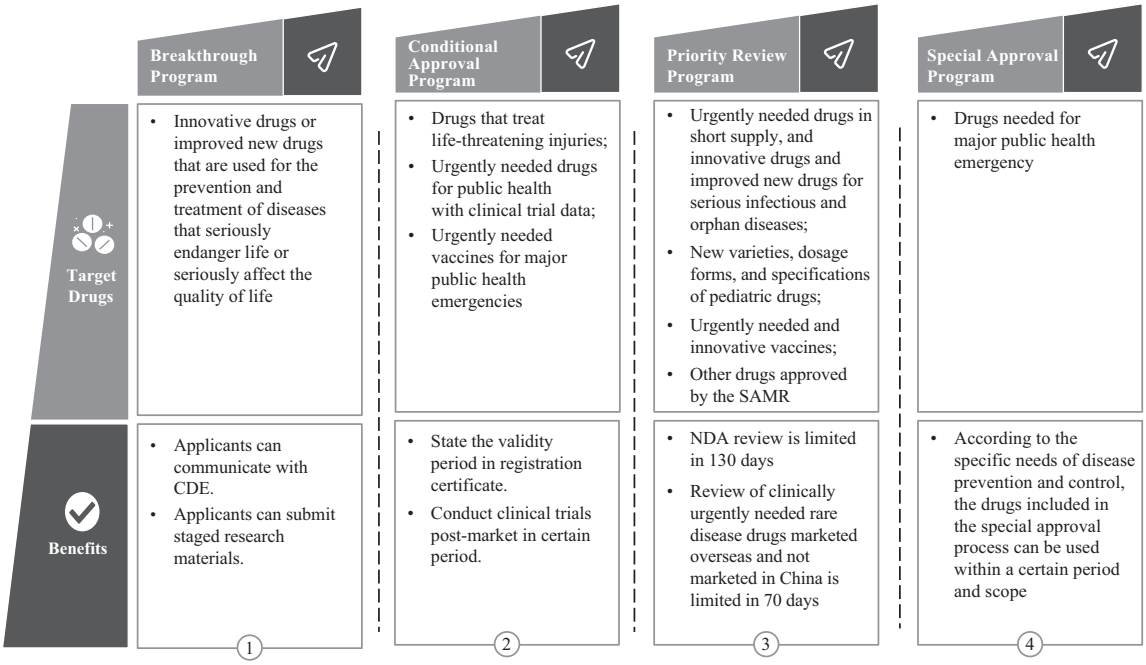
Sources: NMPA; Frost & Sullivan analysis.

In December 2017, the NMPA released the Opinions on Priority Review and Approval for Encouraging Drug Innovation (國家食品藥品監督管理總局關於鼓勵藥品創新實行優先審評審批的意見), which further clarified that a Priority Review system for clinical trial applications and drug registration is available to the following categories of drugs, among others, which we believe will benefit our drug candidates:

- drugs with significant clinical value which will be manufactured locally in China;
- drugs with significant clinical value using advanced technologies, innovative treatment methods or having distinctive treatment advantages; and
- drugs with distinctive clinical advantages for the prevention and treatment of malignant tumors.

The NMPA also specified that concurrent applications for new drug clinical trials which are already approved in the United States or European Union are also eligible for Priority Review.

On March 30, 2020, the State Administration for Market Regulation, released a revised Drug Registration Regulation ("Revised DRR") as part of its efforts to strengthen and streamline its regulation of the pharmaceutical industry, effective July 1, 2020. The Revised DRR established the below four accelerated approval pathways:



Sources: PRC government websites, Frost & Sullivan analysis.

Regulatory Reform in Relation to Data Protection in the Pharmaceutical Industry

On April 25, 2018, the NMPA issued the Implementation Measures for Data Protection of Drug Tests (Interim) (藥品試驗數據保護實施辦法(暫行)) ("Implementation Measures") which narrow the scope of protected data for certain drugs to independently generated and undisclosed non-clinical and clinical study data related to product efficacy that is submitted for marketing authorization purposes. The Implementation Measures cover innovative drugs, innovative therapeutic biologics, orphan drugs, pediatric drugs, and generic drugs to which pertinent patents have been invalidated. Self-obtained clinical data relating to innovative therapeutic biologics approved and marketed in China is protected for 12 years from the date of marketing authorization in China. Data for innovative drugs approved and marketed in China is protected for 6 years from the date of marketing authorization in China. Data for orphan drugs and pediatric drugs is protected for six years from the date of the first approval of the relevant indication in China.

Three-Year Plan for the Prevention and Treatment of Cancer

In March 2019, the PRC government announced a Three-Year Plan for the Prevention and Treatment of Cancer (癌症防治工作三年計劃), which emphasized increasing early screening and improving access to oncology medications through the NRDL. These policies are expected to further grow the oncology market in China.

Three-Year Plan for the Prevention and Treatment of Cancer

Requirement	Content
Establish Cancer Registration and Reporting System	• Establish the registration and reporting system for cancer in the health care institutions above the county level
Promote '3-early Steps' for Cancer	• Promote early screening and detection, early diagnosis and early treatment of cancer
Focus on Prevention of Cancer	• Spread knowledge of health and cancer
Establish Prevention and Treatment System for Cancer	• Establish prevention and treatment system for cancer at four levels (country, province, city and county) and provide technical support
Guarantee Medicine Supply	• Make sure that oncology drugs are not only listed in the NRDL at a reduced price but also accessible to people in hospitals
Improve Technology	• Improve the level of science and technology and overcome the technological bottleneck of prevention and treatment of cancer
Cover More Drugs for Unmet Clinical Needs	• Guarantee people can use oncology drugs in the NRDL as soon as possible

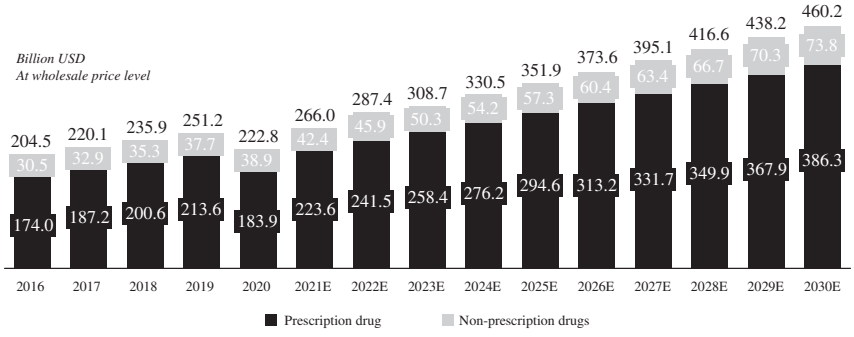
Sources: PRC government websites, Frost & Sullivan analysis.

OVERVIEW OF MARKET LANDSCAPE FOR OUR OTHER VENTURES

The joint ventures comprising our Other Ventures primarily sell prescription and over-the-counter proprietary and licensed drugs in China. China was the world's second-largest pharmaceutical market, including both prescription drugs and over-the-counter pharmaceutical products, estimated at US$222.8 billion in 2020. It is expected to further grow to US$460.2 billion by 2030, with a CAGR of 9.6% between 2020 and 2025 and 5.5% between 2025 and 2030, as shown in the chart below:

China Pharmaceutical Market, 2016-2030E

CAGR	Prescription	Non-prescription	Total
2016-2020	1.4%	6.3%	2.2%
2020-2025E	9.9%	8.0%	9.6%
2025E-2030E	5.6%	5.2%	5.5%



Notes: US$1 = RMB6.5; and E = estimated.

Source: Frost & Sullivan analysis.

Rising per capita incomes, an aging population, and, with respect to prescription drugs, regulatory reforms and greater access to health care through improved medical insurance programs are expected to be the key drivers of growth in this market.

The prescription drug 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. Prescription drugs sold in China compete primarily on the basis of brand recognition, pricing, sales network, promotion activities, product efficacy, safety and reliability.

Over-the-counter pharmaceutical products are the main component of the consumer health business of Other Ventures. Over-the-counter pharmaceutical products sold in China compete primarily on the basis of brand recognition, pricing, sales network, promotion activities, product safety and reliability.

SOURCES OF INFORMATION

We have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the worldwide and China oncology and pharmaceutical markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the F&S Report in this prospectus because we believe such information facilitates an understanding of the pharmaceutical markets, including the oncology and immunology drug markets, for potential investors. In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the overall social, economic and political environment in China, the United States and globally is expected to remain stable during the forecast period; (ii) the economic and industrial development in China, the United States and globally is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the relevant global inhibitor market and oncology drugs market during the forecast period, such as the increasing number of new cancer incidences, increasing number of oncology drugs, supportive government programs and policies, increasing amount of research & development expenditures and improved affordability of drugs; (iv) the negative impact caused by the COVID-19 outbreak in 2020 on the industry was limited and taking into account the impact of the COVID-19 outbreak and estimating market growth for 2021 and beyond in a conservative manner based on the industry and economic recovery in China, the United States and globally since the second quarter of 2020; and (v) there is no extreme force majeure or industry regulation by which the market may be affected dramatically or fundamentally. Frost & Sullivan prepared the F&S Report based on public and proprietary sources. Public sources utilized include news articles, marketing materials and filings by other industry participants as well as information from trade associations. Proprietary sources consist of Frost & Sullivan's own research database, survey data, industry analyst reports and exclusive interviews with industry participants, customers and other industry experts. Frost & Sullivan utilized its proprietary forecasting models to cross-check and synthesize the data to produce both qualitative and quantitative analyses and projections included in this prospectus Frost & Sullivan believes that the basic assumptions used in preparing the F&S Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB550,000 (HK$654,961) for the preparation of the F&S Report which was not contingent upon our successful listing or on the content of the F&S Report.

OVERVIEW

We are a global commercial-stage biopharmaceutical company focused on the discovery, development and commercialization of targeted therapies and immunotherapies for the treatment of patients with cancer and immunological diseases.

Founded in 2000, our Company was one of the first companies to establish an in-house drug discovery engine in China aimed at creating novel therapies for the global market, according to Frost & Sullivan. As these innovations have progressed, we have added extensive clinical and regulatory, manufacturing and commercial operations resulting in a fully-integrated biopharmaceutical company of over 1,300 personnel as of the Latest Practicable Date. This allows us to retain complete operational control of our assets, in order to realize their full economic value in our two focus markets of China and the United States, which represented nearly 60% of the global pharmaceutical market in 2020.

Over the past fifteen years, our in-house discovery engine has created a broad pipeline of ten clinical stage drug candidates with a further seven oncology and immunology drug candidates in preclinical testing. Our success in discovery has also led to development collaborations with leading global pharmaceutical companies such as AstraZeneca and Eli Lilly.

In 2018, we became the first ever biotech company to bring a novel oncology drug, fruquintinib for third-line mCRC patients, from discovery through to unconditional approval and launch in China. Since then, we have built an oncology commercial team of about 520 persons in China to market fruquintinib as well as our other products as they are approved. Our commercial team launched our second in-house discovered oncology drug, surufatinib for advanced non-pancreatic NET, in early 2021. Our third in-house discovered drug, savolitinib for lung cancer, is now undergoing final regulatory review with a potential launch in China as early as mid-2021. A further seven oncology drug candidates are in an earlier stage of clinical development in China (Phase I/Ib and Phase Ib/II proof of concept studies), with one having transitioned into a Phase II registration-intent study in April 2021 and one targeted to transition into a Phase II registration-intent study in 2021.

In the United States, our three lead assets are also entering final regulatory review or have started Phase III registration or Phase II registration-intent studies, and a further three oncology drug candidates are in an earlier stage of clinical development (Phase I/Ib and Phase Ib/II proof of concept studies). Supporting all international clinical and regulatory activities is a rapidly expanding organization of about 80 personnel based primarily in New Jersey as of the Latest Practicable Date. We are also now building our own U.S. commercial team in preparation for a potential surufatinib U.S. launch in late 2021 or early 2022. If approved, surufatinib will become only the second ever novel oncology drug discovered by a biotech company in China to be launched in the United States, according to Frost & Sullivan.

Our portfolio of in-house discovered drug candidates are being developed both as monotherapies and in novel drug combinations to treat a wide spectrum of diseases which we believe may address unmet medical needs and represent large commercial opportunities globally. Beyond our core markets of China and the United States, we intend to pursue opportunities for additional geographical partnerships to fully realize the value of our assets.

We started operations in 2000 as a wholly owned subsidiary of CK Hutchison. Our Shares have been admitted to trading on the AIM since 2006, and our ADSs have been listed on Nasdaq since 2016. Immediately following the completion of the Global Offering, CK Hutchison will continue to be indirectly interested in approximately 39.19% of our Shares in issue (assuming the Over-allotment Option is not exercised) or approximately 38.48% of our Shares in issue (assuming the Over-allotment Option is exercised in full).

Our operational achievements and capabilities to date include:

Broad pipeline of differentiated targeted therapies and immunotherapies built for the global market. We have a pipeline of differentiated drug candidates covering both novel and validated targets, including MET, VEGFR, FGFR, CSF-1R, PI3Kδ, Syk, IDH, ERK and EGFR. The aim of our research is to develop drugs with high selectivity and superior safety profiles, a key benefit of which is that our drug candidates have the potential to be effectively paired with other oncology and immunology therapies at effective dosages with fewer side effects (although drugs with high selectivity may also be associated with target-related adverse events and drug tolerance issues).

Commercially launching products while continuing to discover new assets. In China, we have launched two of our internally developed drugs, fruquintinib (Elunate in China) and surufatinib (Sulanda in China), to patients, and we have filed for marketing authorization for savolitinib. All three drugs are in late-stage development outside of China, with the most advanced being surufatinib for which we completed a rolling NDA submission in the United States in April 2021. In addition, we have seven additional drug candidates in earlier stage clinical development (Phase I/Ib and Phase Ib/II proof of concept studies) and several advanced preclinical drug candidates.

Comprehensive global in-house discovery and development capabilities. We have a comprehensive drug discovery and development operation covering chemistry, biology, pharmacology, toxicology, chemistry and manufacturing controls for clinical and commercial supply, clinical and regulatory and other functions. It is led by a team of approximately 680 scientists and staff as of the Latest Practicable Date, who have created one of the broadest global clinical pipelines among our peer oncology and immunology focused biotechnology companies according to Frost & Sullivan. Currently, we are conducting and planning over 40 different clinical studies in oncology patients globally, including plans for over ten Phase III registration and Phase II registration-intent studies underway by the end of 2021.

Fast expanding and productive international organization. Our U.S. and European teams of approximately 80 mainly clinical and regulatory staff as of the Latest Practicable Date have significantly broadened our international operations, particularly in the United States, Europe, Japan and Australia. Our international clinical team has established a productive track record since it was established in 2018, including the submission of a rolling U.S. NDA filing for surufatinib, initiation of a large global randomized controlled study for fruquintinib, and ongoing U.S. and European Phase I/II trials for our drug candidates HMPL-689, HMPL-523 and HMPL-306. The FDA granted surufatinib Fast Track Designations for non-pancreatic and pancreatic NETs as well as an orphan drug designation for pancreatic NETs. Fruquintinib has also received FDA Fast Track Designation for late-stage CRC. We are now also building a commercial team in the United States, having completed the recruitment of a senior leadership team based in New Jersey, to support the potential upcoming launch of surufatinib in the United States.

Long-standing drug marketing and distribution experience to support the realization of in-house oncology innovations in China. We have built large-scale and profitable drug marketing and distribution capabilities through our Other Ventures operations, which primarily manufacture, market and distribute prescription drugs in China. Our 20-year track record and deep institutional knowledge of the drug marketing and distribution process are being leveraged to bring our in-house oncology innovations to patients. We have built and continue to expand our in-house oncology drug sales team of about 520 persons (compared to 90 at the end of 2019) to support the commercialization of recently launched Elunate and Sulanda and our other innovative drugs, if approved, throughout China. Our oncology drug sales team has the capability to cover over 2,500 oncology hospitals and over 20,000 oncology physicians in China, a network that we estimate represents over 90% of oncology drug sales in China.

Oncology Commercial Operations

Surufatinib – Sulanda in China

We received approval from the NMPA for Sulanda as a treatment for patients with advanced non-pancreatic NET in December 2020 and commercially launched it in mid-January 2021, within three weeks of approval. By the end of January 2021, Sulanda prescriptions had been written in 30 provinces in China. Further commercialization activities are underway. Most notably, we are working to improve patient access to Sulanda. We have implemented a broad-scale, need-based patient access program which could materially reduce patients' out-of-pocket costs, while aiming to have Sulanda be included on the 2022 NRDL. According to Frost & Sullivan, there were potentially over 300,000 patients living with NET in China in 2019. See "*Recent Developments – Summary of First Quarter 2021 Highlights*" for details on the sales of Sulanda for the three months ended March 31, 2021.

Fruquintinib – Elunate in China

At the end of 2018, our collaboration partner Eli Lilly commenced commercial sales of Elunate targeting the more than 80,000 mCRC third-line patients in China each year. In January 2020, Elunate was included on China's NRDL and is therefore now available in public hospitals throughout China, paving the way to significantly broaden access for advanced CRC

patients and rapidly build penetration in China over the coming years. In October 2020, we took over the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing responsibilities in China through an amendment to our collaboration terms with Eli Lilly. Since taking on these commercial responsibilities, we have deployed our oncology drug sales force to market Elunate. We are now quickly expanding hospital pharmacy listings, one of the most important factors affecting broad-scale adoption of Elunate in China. We increased hospital listings to approximately 380, an approximately 95% increase since our assumption of responsibility.

Driven in part by the inclusion of Elunate on the 2020 NRDL and our assumption of responsibility for detailing, promoting and marketing the drug in China in October 2020, total in-market sales of Elunate by Eli Lilly, as provided to us by Eli Lilly, increased by 91.5% to US$33.7 million for the year ended December 31, 2020 compared to US$17.6 million for the year ended December 31, 2019. We recognize revenue for royalties and manufacturing costs and, since October 1, 2020, additional service payments in association with our expanded role in the commercialization of Elunate paid to us by Eli Lilly. Subject to meeting pre-agreed sales targets, Eli Lilly will pay us an estimated total of 70% to 80% of Elunate sales in the form of royalties, manufacturing costs and service payments. See "*Recent Developments – Summary of First Quarter 2021 Highlights*" for details on the sales of Elunate for the three months ended March 31, 2021.

Savolitinib – to be marketed by AstraZeneca, if approved, in China

We have submitted an NDA to the NMPA for the treatment of patients with MET exon 14 skipping alteration NSCLC. The NDA was accepted in May 2020, priority review status was granted in July 2020 and review is underway. If the NDA is approved, we will be responsible for manufacturing and all other marketing authorization holder responsibilities, and our commercial collaboration partner AstraZeneca is expected to launch savolitinib in China through the same large-scale oncology commercial organization that markets Tagrisso, Imfinzi and Iressa, among others. In return for these commercial rights, AstraZeneca will pay us a 30% royalty on all sales, various development and commercial milestones and manufacturing fees.

Additional potential indications are being developed for each of surufatinib, fruquintinib and savolitinib, as described below.

International Clinical Drug Development (Outside China)

Six of our oncology drug candidates are in development outside China, including savolitinib. Our fast expanding international organization, led mainly from the United States, is developing these candidates. We completed the rolling submission of our first U.S. NDA, for surufatinib, in April 2021. We are on track to complete recruitment of a global Phase III study for fruquintinib in late 2021. Further, the organization is progressing three oncology drug candidates (HMPL-689, HMPL-523 and HMPL-306) toward Phase I, I/Ib and II proof-of-concept or registration enabling studies later in 2021. Savolitinib, via a global collaboration with AstraZeneca, is in a registration-intent Phase II study with additional global registration studies set to start in 2021.

The following table summarizes the status of our international clinical drug portfolio's development as of the Latest Practicable Date:

Our International Clinical Development Pipeline

Program	Treatment	Indication	Target patient	Study name	Sites	Phase	Dose finding/ safety run-in	Proof-of-concept	Registration
Savolitinib MET	**Savolitinib** + Tagrisso	NSCLC	2L/3L EGFRm; Tagrisso ref.; MET+	SAVANNAH	Global	II (Reg)	*		
	Savolitinib + Imfinzi (PD-L1)	Papillary RCC	MET+	SAMETA	Global	III	**		
	Savolitinib + Imfinzi (PD-L1)	Papillary RCC	All	CALYPSO	UK/Spain	II	***		
	Savolitinib + Imfinzi (PD-L1)	Clear cell RCC	VEGFR TKI refractory	CALYPSO	UK/Spain	II	***		
	Savolitinib	Gastric cancer	MET+	VIKTORY	S Korea	Ib/II	***		
	Savolitinib	Colorectal cancer	MET+		US	II	***		
Surufatinib VEGFR 1/2/3; FGFR1; CSF-1R	**Surufatinib**	NET	Refractory		US	Ib (NDA)			NDA Submitted
	Surufatinib	NET	Refractory		EU	Ib (MAA)			MAA Planned
	Surufatinib	Biliary tract cancer			US	Ib			
	Surufatinib	Soft tissue sarcoma			US	Ib			
	Suru. + tislelizumab (PD-1)	Solid tumors			US/EU	Ib/II			
Fruquintinib VEGFR 1/2/3	**Fruquintinib**	Colorectal cancer	Refractory	FRESCO-2	US/EU/JP	III			
	Fruquintinib	Breast cancer			US	Ib			
	Fruq. + tislelizumab (PD-1)	TN breast cancer			US	Ib/II	**		
	Fruq. + tislelizumab (PD-1)	Solid tumors			TBD	Ib/II	**		
HMPL-689 PI3Kδ	**HMPL-689**	****			Australia	I			
	HMPL-689	Indolent NHL			US/EU	I/Ib			
HMPL-523 Syk	**HMPL-523**	Indolent NHL			Australia	Ib			
	HMPL-523	Indolent NHL			US/EU	I/Ib			
HMPL-306 IDH 1/2	**HMPL-306**	Solid tumors			US/EU	I			
	HMPL-306	Hem. malignancies			US/EU	I			

** Phase II registration-intent study subject to regulatory discussion; ** In planning; *** Investigator-initiated trials (IIT); and **** Conducted in healthy volunteers. (Reg) = Registration Intent; (NDA) = NDA submitted for review; (MAA) = MAA submission planned; and (Mkt) = NDA approved and product is on the market.*

Notes: MET = mesenchymal epithelial transition receptor; VEGFR = vascular endothelial growth factor receptor; TKI = tyrosine kinase inhibitor; EGFRm = epidermal growth factor receptor mutation; NET = neuroendocrine tumors; FGFR1 = fibroblast growth factor receptor 1; CSF-1R = colony stimulating factor-1 receptor; PI3Kδ = Phosphatidylinositol-3-Kinase delta; Syk = spleen tyrosine kinase; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; NHL = non-Hodgkin's Lymphoma; TN = triple negative; and IDH 1/2 = isocitrate dehydrogenase 1/2.

Savolitinib – selective MET inhibitor in late-stage clinical development as a monotherapy and in combination therapies in global partnership with AstraZeneca

Savolitinib is a potent and selective small molecule inhibitor of the MET receptor tyrosine kinase, an enzyme which has been shown to function abnormally in many types of solid tumors. We designed savolitinib through chemical structure modification to specifically address kidney toxicity, the primary issue that halted development of several other selective MET inhibitors. In clinical trials to date in over 1,100 patients globally, savolitinib has shown promising signs of clinical efficacy in patients with multiple types of MET gene alterations in lung cancer, kidney cancer and gastric cancer with an acceptable safety profile.

We are currently testing savolitinib in global partnership with AstraZeneca, both as a monotherapy and in combination with immunotherapy and targeted therapy. Most notably, we are currently progressing the SAVANNAH study on savolitinib in combination with Tagrisso for treating EGFRm+, NSCLC patients who have progressed following first or second-line Tagrisso therapy due to MET amplification. The study has fully enrolled one of the three dose cohorts and is expected to complete enrollment in mid-2021, with planning for the global Phase III study now underway.

Proof-of-concept studies of savolitinib in kidney cancer (as a monotherapy as well as in combination with a PD-L1 inhibitor) and gastric cancer (as a monotherapy as well as in combinations with chemotherapy) have demonstrated positive results, with subsequent clinical development in planning. For example, we are initiating a global Phase III pivotal trial (SAMETA) for savolitinib in combination with Imfinzi, AstraZeneca's anti-PD-L1 antibody durvalumab, in MET positive patients with PRCC, a form of kidney cancer. Savolitinib opportunities are also continuing to be explored in multiple other MET-driven tumor settings via investigator-initiated studies including CRC.

Surufatinib – unique angio-immuno kinase inhibitor with NDA submission completed in the United States; potential first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs

Surufatinib, which has been approved in China for the treatment of advanced non-pancreatic NETs, is a novel, oral angio-immuno kinase, small molecule inhibitor that selectively inhibits the tyrosine kinase activity associated with VEGFR and FGFR, which both inhibit angiogenesis, and CSF-1R, which regulates tumor-associated macrophages, promoting the body's immune response against tumor cells. Its unique dual mechanism of action may be very suitable for possible combinations with other immunotherapies. We believe surufatinib is potentially the first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs.

In the United States, the FDA granted orphan drug designation to surufatinib for the treatment of pancreatic NETs in November 2019 and granted Fast Track Designations for the treatment of both pancreatic NETs and non-pancreatic NETs in April 2020. In May 2020, we reached an agreement with the FDA that the completed SANET-ep and SANET-p studies in China, along with existing data from surufatinib in U.S. non-pancreatic and pancreatic NET patients, could form the basis to support an NDA submission. Pharmacokinetic and safety data from U.S. Phase Ib NET cohorts demonstrated similar profiles of surufatinib between Chinese and U.S. patients.

We completed a U.S. NDA submission in April 2021 for surufatinib for the treatment of pancreatic and non-pancreatic NETs. This is our first NDA in the United States. Filing acceptance of the NDA is subject to FDA review of the complete application. The data package will also be used to file an MAA to the EMA, based on scientific advice from the CHMP.

We have various additional clinical trials of surufatinib ongoing as a single agent, as well as in combination with checkpoint inhibitors. In March 2021, we dosed the first patient in a combination study of surufatinib with tislelizumab, an anti-PD-1 antibody being developed by BeiGene, in the United States and Europe. In addition, we believe surufatinib has potential in a number of other tumor types such as NETs, CRC, small cell lung cancer, gastric cancer and soft tissue sarcoma.

Surufatinib is the first oncology medicine that we have launched in China and expanded development globally without the support of a development partner. We own all rights to surufatinib globally.

Fruquintinib – potential selective VEGFR 1, 2 and 3 inhibitor with the best selectivity for its targets in global Phase III development

Fruquintinib, which has been approved in China for the treatment of advanced mCRC, is a highly selective and potent oral inhibitor of vascular endothelial growth factor receptors, known as VEGFR 1, 2 and 3. We believe that fruquintinib has the potential to become a global small molecule VEGFR 1, 2 and 3 inhibitor for many types of solid tumors on the basis of it having the highest selectivity, and we are currently studying fruquintinib in CRC, gastric cancer, breast cancer and other solid tumor types. Fruquintinib was designed to improve kinase selectivity to minimize off-target toxicities, improve tolerability and provide more consistent target coverage. The tolerability in patients to date, along with fruquintinib's low potential for drug-drug interaction based on preclinical assessment, suggests that it may be highly suitable for combinations with other anti-cancer therapies.

Building on the data collected from our successful Phase III trial in China, known as the FRESCO study, which supported fruquintinib's approval in China, we initiated FRESCO-2, a large randomized controlled study of fruquintinib in the United States, Europe and Japan. The first patient was dosed in September 2020, and the study is enrolling over 680 patients in approximately 165 sites in 14 countries. The FDA granted Fast Track Designation for the development of fruquintinib for the treatment of patients with mCRC in June 2020. The FDA has acknowledged the totality of the fruquintinib clinical data, including the FRESCO-2 study, if positive, the prior positive Phase III FRESCO study demonstrating improvement in OS that led to fruquintinib approval for mCRC in China in 2018 and additional completed and ongoing supporting studies in mCRC, could support a future NDA for the treatment of patients with third-line and above mCRC. The EMA and PMDA have reviewed and endorsed the FRESCO-2 study design. Preliminary data of U.S. Phase I/Ib CRC cohorts demonstrated encouraging efficacy in patients refractory or intolerant to Stivarga and Lonsurf.

We are planning global combination studies of fruquintinib with BeiGene's anti-PD-1 antibody tislelizumab for the treatment of various solid tumor cancers, including a Phase Ib/II study in advanced, refractory triple negative breast cancer.

Fruquintinib is being commercialized and developed in partnership with Eli Lilly in China, where we are responsible for development, manufacturing, on-the-ground medical detailing, promotion and local and regional marketing activities.

We own all rights to fruquintinib outside of China.

HMPL-689 – PI3Kδ inhibitor with the best selectivity with potential in hematological cancer

HMPL-689 is a novel, highly selective and potent small molecule inhibitor targeting the isoform PI3Kδ. In preclinical pharmacokinetic studies, HMPL-689's pharmacokinetic properties have been found to be favorable with good oral absorption, moderate tissue distribution and low clearance. HMPL-689 is also expected to have low risk of drug accumulation and drug-drug interaction and is highly potent, particularly at the whole blood level.

We have early-stage clinical trials of HMPL-689 ongoing, and preliminary evidence suggests that HMPL-689 may perform in the clinic as designed. Based on extensive Phase I/Ib proof-of-concept clinical data in China and Australia on HMPL-689, we have opened 18 U.S. and European sites for a Phase I/Ib study with patient enrollment underway, focusing on advanced relapsed or refractory lymphoma. In the second half of 2021, we plan to complete FDA regulatory discussions, followed by the initiation of Phase II registration-intent studies.

We own all rights to HMPL-689 globally.

HMPL-523 – potentially the first selective Syk inhibitor for hematological cancer

HMPL-523 is a novel, highly selective, oral, small molecule inhibitor targeting the Syk for the treatment of hematological cancers and certain chronic immune diseases. Syk is a major component in B-cell receptor signaling and is an established therapeutic target in multiple subtypes of B-cell lymphomas. Because B-cell malignancies are heterogeneous and patients commonly experience relapse despite current therapies, there is a need for new therapies.

We have various clinical trials of HMPL-523 ongoing. We have 22 U.S. and European sites for a Phase I/Ib study with patient enrollment underway, focusing on advanced relapsed or refractory lymphoma and are close to establishing our Phase II dose.

We own all rights to HMPL-523 globally.

HMPL-306 – potentially the first dual inhibitor of IDH1 and IDH2 with applications in hematological malignancies, gliomas and solid tumors

HMPL-306 is a novel small molecule dual-inhibitor of isocitrate dehydrogenase 1 and 2, or IDH1 and IDH2, enzymes. IDH1 and IDH2 mutations have been implicated as drivers of certain hematological malignancies, gliomas and solid tumors, particularly among acute myeloid leukemia patients. We initiated an international Phase I study with the first patient dosed in the United States in March 2021.

We own all rights to HMPL-306 globally.

China Clinical Drug Development

We are the marketing authorization holder of two internally discovered and developed innovative oncology medicines (Elunate and Sulanda) and may have a third drug (savolitinib), potentially the first selective MET inhibitor in China, if the NDA currently under review is approved. We have seven additional drug candidates in earlier stage clinical development (Phase I/Ib and Phase Ib/II proof-of-concept studies) and several advanced preclinical drug candidates. Our four submitted China NDAs were classified by the NMPA as Category 1. If submitted for approval, all of our drug candidates are expected to be classified as Category 1, as they are innovative drugs that have not been marketed inside or outside of China.

The following table summarizes the status of our China clinical programs as of the Latest Practicable Date:

Our China Clinical Development Pipeline

Program	Treatment	Indication	Target patient	Study name	Phase	Dose finding/ safety run-in	Proof-of-concept	Registration
Savolitinib MET	**Savolitinib**	NSCLC	MET exon 14 skipping		II (NDA)			NDA accepted
	Savolitinib + Tagrisso	NSCLC	2L EGFR TKI ref. NSCLC; MET+	SACHI	III	*		
	Savolitinib + Tagrisso	NSCLC	Naïve MET+ & EGFRm NSCLC	SANOVO	III	*		
	Savolitinib	Gastric cancer	2L; MET+		II (Reg)	*		
Surufatinib VEGFR 1/2/3; FGFR1; CSF-1R	**Surufatinib**	Pancreatic NET	All	SANET-p	NDA			NDA accepted
	Surufatinib	Non-Pancreatic NET	All	SANET-ep	III (Mkt)			Marketed
	Surufatinib	Biliary tract cancer	2L; chemotherapy refractory		IIb/III			
	Surufatinib + Tuoyi (PD-1)	NEN, ESCC, BTC			II			
	Surufatinib + Tuoyi (PD-1)	SCLC, GC, Sarcoma			II			
	Surufatinib + Tuoyi (PD-1)	TC, EMC, NSCLC			II			
	Surufatinib + Tyvyt (PD-1)	Solid tumors			I			
Fruquintinib VEGFR 1/2/3	**Fruquintinib**	Colorectal cancer	≥3L; chemotherapy refractory	FRESCO	III (Mkt)			Marketed
	Fruquintinib + Taxol	Gastric cancer	2L	FRUTIGA	III			
	Fruquintinib + Tyvyt (PD-1)	CRC, EMC, RCC, HCC			Ib/II			
	Fruquintinib + Tyvyt (PD-1)	GI tumors			Ib/II			
	Fruq. + geptanolimab (PD-1)	CRC			Ib			
	Fruq. + geptanolimab (PD-1)	NSCLC			Ib			
HMPL-689 PI3Kδ	**HMPL-689**	FL, MZL			II (Reg)			
	HMPL-689	MCL, DLBCL			Ib			
	HMPL-689	CLL/SLL, HL			Ib			
HMPL-523 Syk	**HMPL-523**	B-cell malignancies	All		I/Ib			
	HMPL-523	ITP	All		I/Ib			
HMPL-453 FGFR 1/2/3	**HMPL-453**	IHCC			II			
HMPL-306 IDH 1/2	**HMPL-306**	Hem. malignancies			I			
HMPL-295 (ERK, MAPK pathway)	**HMPL-295**	Solid tumors			I	*		
Epitinib EGFR	**Epitinib**	Glioblastoma	EGFR gene amplified		Ib/II			
Theliatinib EGFR wt	**Theliatinib**	Esophageal cancer	EGFR over-expression			**		

** In planning. (Reg) = Registration Intent; (NDA) = NDA submitted for review; (MAA) = MAA submission planned; and (Mkt) = NDA approved and product is on the market.*

Notes: MET = mesenchymal epithelial transition receptor; VEGFR = vascular endothelial growth factor receptor; TKI = tyrosine kinase inhibitor; EGFRm = epidermal growth factor receptor mutation; FGFR1 = fibroblast growth factor receptor 1; CSF-1R = colony stimulating factor-1 receptor; NET = neuroendocrine tumors; NEN = neuroendocrine neoplasms; ESCC = esophageal squamous-cell carcinoma; BTC = biliary tract cancer; SCLC = small cell lung cancer; GC = gastric cancer; TC = thyroid cancer; EMC = endometrial cancer; CRC = colorectal cancer; HCC = hepatocellular carcinoma; GI = gastrointestinal; PI3Kδ = Phosphatidylinositol-3-Kinase delta; Syk = spleen tyrosine kinase; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; NHL = Non-Hodgkin's Lymphoma; FL = follicular lymphoma; MZL = marginal zone lymphoma; MCL = mantle cell lymphoma; DLBCL = diffuse large B cell lymphoma; CLL/SLL = chronic lymphocytic leukemia/small lymphocytic lymphoma; HL = Hodgkin's lymphoma; ITP = immune thrombocytopenic purpura; IHCC = Intrahepatic cholangiocarcinoma; IDH 1/2 = isocitrate dehydrogenase 1/2; ERK = extracellular-signal-regulated kinase; and MAPK = RAS-RAF-MEK-ERK signaling cascade.

Savolitinib – NDA filed for potentially the first selective MET inhibitor in China

In May 2020, an NDA for savolitinib for the treatment of NSCLC with MET exon 14 skipping alterations was accepted for review by the NMPA, supported by a Phase II registration study, and the NMPA subsequently granted it priority review status. This is the first NDA filing for savolitinib globally and first for a selective MET inhibitor in China. Data from this study were most recently presented at the ASCO 2020 Virtual Scientific Program.

We intend to initiate several studies in China in 2021, including two further pivotal Phase III studies in combination with Tagrisso in NSCLC patients in the second half of 2021 and a potential registrational Phase II study in metastatic gastric cancer in mid-2021.

Surufatinib – commercially launched as Sulanda in China in non-pancreatic NETs in January 2021; first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs (if also approved for advanced pancreatic NETs)

Surufatinib was approved by the NMPA in December 2020 for the treatment of non-pancreatic NETs and is now being marketed by us in China under the brand name Sulanda. The NMPA approval of surufatinib was based on results from the SANET-ep study, a Phase III trial in patients with advanced non-pancreatic NETs conducted in China. The positive results of this trial were highlighted in an oral presentation at the 2019 ESMO Congress and published in *The Lancet Oncology* in September 2020. Our in-house oncology drug sales team is now responsible for the marketing and commercialization of surufatinib throughout China for this indication.

We have submitted a second NDA in China for surufatinib in advanced pancreatic NETs supported by our SANET-p study, a Phase III trial in patients with advanced pancreatic NETs conducted in China. The NDA was accepted in September 2020, and review is underway. If approved, we believe surufatinib would be the only approved targeted therapy able to address and treat all subtypes of NETs.

We have commenced combination studies of surufatinib with Tuoyi, a PD-1 monoclonal antibody being developed by Junshi in China, where we are currently conducting Phase II studies in nine solid tumor indications, including NENs, BTC, gastric cancer, thyroid cancer, small cell lung cancer, soft tissue sarcoma, endometrial cancer, esophageal cancer and NSCLC. During ASCO 2021, encouraging preliminary Phase I/Ib results were presented for surufatinib in combination with Tuoyi in neuroendocrine carcinoma and gastric cancer.

In addition, we have expanded our collaboration with Innovent and, in July 2020, started a Phase I study in China to evaluate the safety and efficacy of Tyvyt in combination with surufatinib.

Fruquintinib – commercially launched as Elunate in China in CRC in November 2018; potential VEGFR 1, 2 and 3 inhibitor with the best selectivity for many solid tumors

Fruquintinib was first commercially launched in China, marketed by our partner Eli Lilly, in November 2018 for the treatment of advanced CRC. In January 2020, fruquintinib was included on the NRDL thereby broadening access by advanced CRC patients in China. Since launch, Eli Lilly has deployed a dedicated team of over 140 oncology commercial personnel to market fruquintinib in China. Since October 1, 2020, we have taken over development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities for fruquintinib in China, using our in-house oncology drug sales team supported by our long-standing drug marketing and distribution platforms. Subject to meeting pre-agreed sales targets, Eli Lilly will pay us an estimated total of 70% to 80% of Elunate sales in the form of royalties, manufacturing costs and service payments.

We believe that fruquintinib is a VEGFR 1, 2 and 3 inhibitor with the best selectivity and could be considered for development in China in many solid tumor indications in which VEGFR inhibitors have been approved globally. To this end, since 2018, we have assumed all planning, execution and decision-making responsibilities for life cycle indication development of fruquintinib in China.

In addition to its commercial launch in CRC in China, we have made progress with fruquintinib in various other cancer indications, including the FRUTIGA study in China, a pivotal Phase III study in approximately 700 patients to evaluate the efficacy and safety of fruquintinib in combination with Taxol, a chemotherapy medication, compared with Taxol monotherapy for second-line treatment of advanced gastric cancer in patients who had failed first-line chemotherapy. We expect to complete enrollment of the study around the end of 2021.

We are conducting Phase Ib/II dose expansion studies in China of fruquintinib with Tyvyt, a PD-1 monoclonal antibody being developed by Innovent, in different tumor types, including HCC, endometrial cancer, RCC and CRC. Furthermore, we intend to conduct studies of fruquintinib in combination with BeiGene's tislelizumab for the treatment of various solid tumor cancers in China. During ASCO 2021, encouraging preliminary Phase I/Ib results were presented for fruquintinib in combination with two different PD-1 inhibitors: Tyvyt and geptanolimab.

HMPL-689 – PI3Kδ inhibitor with the best selectivity and with potential in hematological cancer

Our Phase I dose escalation study on HMPL-689 in China has been completed, and a recommended Phase II dose was selected. HMPL-689 was well tolerated, exhibiting dose-proportional pharmacokinetics, a manageable toxicity profile and single-agent clinical activity in relapsed/refractory B-cell lymphoma patients. Our Phase Ib expansion study in China is ongoing in multiple sub-categories of indolent non-Hodgkin's lymphoma. In April 2021, we commenced a registration-intent Phase II trial of HMPL-689, a highly selective and potent PI3Kδ inhibitor, in China in patients with relapsed or refractory follicular lymphoma and marginal zone lymphoma, two subtypes of non-Hodgkin's lymphoma.

HMPL-523 – potentially the first selective Syk inhibitor for hematological cancer

Data from an extensive Phase I/Ib dose escalation and expansion study (covering more than 200 patients) on HMPL-523 has encouraged us to initiate exploratory studies in China on multiple indolent non-Hodgkin's lymphoma sub-categories, including chronic lymphocytic leukemia/small lymphocytic lymphoma, follicular lymphoma, marginal zone lymphoma, Waldenstrom's macroglobulinemia and mantle cell lymphoma.

Furthermore, in August 2019 we commenced a Phase I study of HMPL-523 in China for the treatment of immune thrombocytopenia, an autoimmune disorder characterized by low platelet count and an increased bleeding risk. Dose escalation is near completion with planning and preparation for a Phase III trial in China now underway.

HMPL-453 – highly selective FGFR 1/2/3 inhibitor with potential in solid tumors

HMPL-453 is a highly selective and potent FGFR 1/2/3 inhibitor. Aberrant FGFR signaling is associated with tumor growth, promotion of angiogenesis, as well as resistance to anti-tumor therapies. A Phase II study is ongoing in patients with advanced IHCC with FGFR2 fusion that had failed at least one line of systemic therapy. IHCC is a cancer that develops within the bile ducts, the second most common primary hepatic malignancy after hepatocellular carcinoma. Approximately 10-15% of IHCC patients have tumors that harbor FGFR2 fusion.

HMPL-306 – potentially the first dual inhibitor of IDH1 and IDH2 with applications in hematological malignancies, gliomas and solid tumors

A Phase I trial in China was initiated in July 2020 in patients of relapsed or refractory hematological malignancies with an IDH1 and/or IDH2 mutation. Multiple sites have been initiated, and we aim to establish the Phase II dose in 2021.

HMPL-295 – an investigative and highly selective small molecule inhibitor of ERK in the MAPK pathway with the potential to address intrinsic or acquired resistance from upstream mechanisms such as RAS-RAF-MEK

HMPL-295, a novel ERK inhibitor, is our tenth in-house discovered small molecule oncology drug candidate. ERK is a downstream component of the RAS-RAF-MEK-ERK signaling cascade (MAPK pathway). This is our first of multiple candidates in discovery targeting the MAPK pathway.

We own all rights to HMPL-295 globally.

Epitinib – clinical-stage EGFR inhibitor

We have completed Phase I/Ib studies of epitinib, a small molecule EGFR inhibitor with demonstrated ability to penetrate the blood-brain barrier.

We are evaluating further development strategies for epitinib.

Discovery Research & Preclinical Development

We have built a drug discovery engine based in China, which has already produced a pipeline of 17 differentiated clinical and late pre-clinical stage drug candidates covering both novel and validated targets of which two are now marketed and one is under review for approval. We strive to create differentiated novel oncology and immunology treatments with global potential. These include furthering both small molecule and biologic therapies which address aberrant genetic drivers and cancer cell metabolism, modulate tumor immune microenvironment and target immune cell checkpoints. We design drug candidates with profiles that enable them to be used in innovative combinations with other therapies, such as chemotherapy, immunotherapy and other targeted therapies in order to attack disease simultaneously through multiple modalities and pathways. We believe that this approach can significantly improve treatment outcomes for patients.

In addition to our ten clinical-stage assets, we have three more novel oncology drug candidates in preclinical stage, including HMPL-653 (targeting solid tumors), HMPL-A83 (targeting hematological malignancies and solid tumors) and HMPL-760 (targeting hematological malignancies). We retain all global rights to these three drug candidates and are targeting dual U.S. and China IND submissions for some of them during 2021. We have also partnered with Inmagene to develop a further four novel immunological disease drug candidates that we created and are in preclinical stage.

Beyond these clinical and preclinical stage candidates, we continue to conduct research into discovering new types of drug candidates, including among others, small molecules addressing cancer-related apoptosis, cell signaling, epigenetics and protein translation; biologic drug candidates including bispecific antibodies; and novel technologies including antibody-drug conjugates and heterobifunctional small molecules.

Manufacturing

Our manufacturing site in Suzhou is a GMP-certified production facility, providing supplies of our drug candidates for clinical trials and Elunate and Sulanda for commercial sale. We plan to continue to invest resources in the Suzhou facility, expanding the production team in phases. At the end of 2020, we commenced construction of a large-scale manufacturing plant for innovative drugs in Shanghai. The Shanghai factory will be our largest manufacturing facility, with a production capacity estimated to be five times that of our manufacturing plant in Suzhou. The first phase will be primarily for small molecule production, while the second phase is expected to include expansion into large molecule production.

Other Ventures

In addition to our Oncology/Immunology operations, our Other Ventures include large-scale drug marketing and distribution platforms covering about 320 cities and towns in China with approximately 4,800 manufacturing and commercial personnel as of December 31, 2020. Built over the past 20 years, it primarily focuses on prescription drug and consumer health products mainly through: (i) Shanghai Hutchison Pharmaceuticals, a non-consolidated joint venture with a commercial team of about 2,200 staff managing the medical detailing and marketing of a range of own-brand prescription drug products; (ii) Hutchison Sinopharm, a consolidated joint venture focused on providing commercial services for our own marketed drugs, as well as marketing third-party prescription drug products and our science-based infant nutrition products; and (iii) Hutchison Baiyunshan, a non-consolidated joint venture focused on the manufacturing, marketing and distribution of primarily own-brand over-the-counter drugs. See "*Recent Developments – Recent Disposal*" for more information on Hutchison Baiyunshan.

Net income attributable to our Company from our Other Ventures totaled US$41.4 million, US$41.5 million and US$72.8 million for the years ended December 31, 2018, 2019 and 2020, respectively, and are remitted to our Group through dividend payments primarily from our non-consolidated joint ventures mentioned above. In 2020, dividends of US$86.7 million were paid from these joint ventures to our Group, with aggregate dividends received since inception of over US$300 million.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

Fully-integrated biopharmaceutical company with capability to support development and launch of our products in our core markets

Our fully integrated drug discovery and development operation encompasses all aspects of research and development, clinical and regulatory capabilities, commercialization and manufacturing, all of which work seamlessly together. With the NMPA's approval of fruquintinib, in 2018, we became the first Chinese biopharmaceutical company to bring a targeted oncology therapy from discovery through unconditional approval and commercialization in China. In addition, we received approval from the NMPA for surufatinib as a treatment for patients with advanced non-pancreatic NET in December 2020 and commercially launched it in mid-January 2021, within three weeks of approval.

In-house discovery. We have built a drug discovery engine based in China, which has been engaged in innovative drug research and development for almost two decades, making us one of the first globally-facing novel drug discovery companies in China, according to Frost & Sullivan. With highly integrated chemistry, biology, pharmacology, toxicology, chemistry and manufacturing control functions, this team is responsible for de novo in-house discovery and development of two marketed drugs, eight (including one undergoing marketing authorization review) potential new drugs in various stages of human testing and three potential new drugs nearing clinical testing.

Clinical and regulatory capabilities. Our dedicated research and development team comprises approximately 680 scientists and staff with offices in Shanghai, Suzhou and New Jersey as of the Latest Practicable Date. Together, the global organization has achieved approval of two NDAs in China, is managing two further applications currently under review in China and is in the process of submitting an NDA in the United States. Currently, we are conducting and planning over 40 different clinical studies in oncology patients globally, including plans for over ten Phase III registration and Phase II registration-intent studies underway by the end of 2021.

Commercialization. We have built, and continue to expand, our in-house oncology drug sales team of about 520 persons to support the commercialization of Elunate, Sulanda and our other innovative drugs, if approved, throughout China as of the Latest Practicable Date. Our oncology drug sales team has the capability to cover most of the top oncology hospitals and oncology physicians in China which we estimate represents over 90% of oncology drug sales in China, and we are rapidly expanding our U.S.-based international commercial capabilities. The scale, experience and deep understanding of the Chinese healthcare system of our commercial team, including in particular how drugs are approved and ordered by hospitals and doctors and the drug distribution system in China, represent a significant barrier to entry for newer entrants into the oncology drug sector in China.

Manufacturing. Our in-house manufacturing capabilities include a GMP-certified formulation facility in Suzhou which produces supplies of our drug candidates for clinical trials and commercial supplies of Elunate and Sulanda and a large-scale manufacturing plant for innovative drugs in Shanghai, which is currently under construction. The first phase of our Shanghai plan will focus on small molecule production and the second phase is expected to include an expansion into large molecule production.

Commercialized drugs and late-stage clinical drug candidates with significant commercial potential

We have two approved and launched assets, one asset under NMPA priority review and seven drug candidates in clinical development. We believe the success of our commercialized drugs and late-stage clinical drug assets will be driven by their uniquely selective clinical profiles, high level of efficacy in patients and their ability to provide clinical benefits as compared to that of treatment alternatives, if any are available. We retain majority control and therefore the economics for most of our assets.

- *Fruquintinib*. Fruquintinib, self-discovered and developed by our Company and sold under the brand name Elunate, was approved for marketing in China by the NMPA in September 2018 and commercially launched with Eli Lilly in late November 2018 for third-line treatment of mCRC. In January 2020, Elunate was included in China's NRDL and is therefore now available in public hospitals throughout China at a reduced price, paving the way to significantly broaden access for advanced CRC patients and rapidly build penetration in China over the coming years.

  In China, CRC has become increasingly prevalent. The incidence of CRC in China is estimated to range from 453,400 to 550,000 new cases in 2020, compared to 400,700 in 2016. It is estimated that among all CRC patients in China, there are approximately 15% who are receiving third-line treatment. Among the available targeted therapies, fruquintinib has demonstrated numerically higher disease control rate, median PFS rate and median overall survival rate in a Phase III trial in Chinese third-line colorectal cancer patients, compared to Phase III results for other therapies in the same patient population. As the first mover to bring a self-discovered and developed innovative targeted cancer treatment to market in China with the launch of Elunate, we believe we are well positioned to take advantage of this market opportunity. According to Frost & Sullivan, the global market for CRC therapies was approximately US$17.4 billion in 2020 and is expected to grow to US$42.7 billion by 2030.

  In October 2020, we took over the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities in China through an amendment to our collaboration terms with Eli Lilly. Subject to meeting pre-agreed sales targets, we are entitled to 70% to 80% of the economics in China. In addition, as we retain all global rights, we are entitled to 100% of the economics outside of China, where we are conducting a Phase III registration study in the United States, Europe and Japan.

  We believe that fruquintinib has the potential to become a global small molecule VEGFR 1, 2 and 3 inhibitor with the best selectivity for many types of solid tumors, and we are currently studying fruquintinib in CRC, gastric cancer, lung cancer and other solid tumor types.

- *Surufatinib.* Surufatinib, self-discovered and developed by our Company and sold under the brand name Sulanda, was approved for marketing in China by the NMPA in December 2020 and commercially launched by us in January 2021 for the treatment of advanced non-pancreatic NETs. By the end of January 2021, Sulanda prescriptions had been written in 30 provinces in China.

  In China, there were about 71,300 newly diagnosed NET patients in 2020. Among all newly diagnosed NET patients, at least 55% are suitable for drug therapy or drug adjuvant therapy. While no China prevalence data exists, according to Frost & Sullivan, there could be over 300,000 patients living with the disease. Importantly, NETs are associated with a relatively long duration of survival compared to other tumors and as a result, while incidence rates are modest, there is a relatively large population of NETs patients. We believe the benefit of surufatinib as a monotherapy to patients with non-pancreatic NETs in China could be significant as compared to the minimal treatment alternatives currently available to them. According to Frost & Sullivan, the global market for NET therapies was approximately US$6.0 billion in 2020 and is expected to grow to US$21.5 billion by 2030.

  We have implemented a broad-scale, need-based patient access program which could materially reduce patient out-of-pocket costs and are applying for Sulanda to be included in the 2022 NRDL. We have also completed a rolling NDA submission to the FDA. We retain the global economics for surufatinib.

  We believe surufatinib is potentially the first VEGFR/FGFR/CSF-1R inhibitor for all advanced NETs. We currently have various clinical trials of surufatinib ongoing as a single agent in patients with NETs, BTC and soft tissue sarcoma and in combination with checkpoint inhibitors. We believe surufatinib has potential in a number of other tumor types such as breast cancer with FGFR 1 activation.

- *Savolitinib*. Savolitinib was granted priority review status by the NMPA in May 2020 and review is currently underway for its treatment of MET exon 14 skipping alteration NSCLC.

  In China, there were an estimated 785,500 newly diagnosed NSCLC patients in 2020, and this number is expected to exceed one million by 2030. It is estimated that 4.0-6.0% of newly diagnosed NSCLC patients harbor genetic MET aberrations. There are currently no approved selective MET inhibitors on the market in China. Thus savolitinib, if approved, is expected to be the first therapy in China specifically targeting patients with these mutations. According to Frost & Sullivan, the China market for small molecule MET inhibitors is expected to grow to US$4.8 billion by 2030.

If the NDA is approved, we will be the marketing authorization holder, earning a risk-free royalty of 30% of sales, and our collaboration partner AstraZeneca is expected to launch savolitinib in China through the same oncology commercial organization that markets Tagrisso, Imfinzi and Iressa, among others. Outside of China, AstraZeneca has more control and pays us a tiered royalty rate from 14% to 18% on product revenues, subject to certain potential adjustments.

We believe savolitinib is potentially the first selective MET inhibitor for the treatment of kidney cancer and gastric cancer in China.

Our other late-stage clinical assets include HMPL-523, HMPL-689 and HMPL-453, which we believe have the potential to be first-in-class and/or best-in-class oncology therapies.

Globally-facing research and development approach to discovering and developing next-generation therapies for the treatment of cancer and immunological diseases

Leveraging our fully integrated platform, our research and development strategy has focused on developing differentiated drug candidates to treat unmet medical needs such as CRC, NET, lung cancer, gastric cancer and hematological malignancies. We have assembled a broad and highly differentiated portfolio of assets in various stages of development and have advanced ten self-discovered drug candidates into the clinic in the past ten years.

We focus on both more novel targets, including MET, CSF-1R, Syk and ERK, and more validated targets, including VEGFR, PI3Kδ and IDH. A primary objective of our research efforts has been to develop drug candidates with unique selectivity to limit off-target toxicity, high potency to optimize the dose selection with the objective to lower the required dose and thereby limit compound-based toxicity, chemical structures deliberately engineered to improve drug absorption and exposure in the targeted tissue, and the ability to be combined with other therapeutic agents, including targeted therapies, immunotherapies and chemotherapies. Such combination therapies can be more efficacious than a single treatment as they can treat the cancer from multiple angles at the same time and potentially decrease the likelihood that the cancer will develop a resistance to the treatment which can be a significant problem for monotherapies. We believe that this approach can significantly improve treatment options for patients, and it has led to favorable clinical outcomes in clinical trials to date.

Moreover, our highly-focused, globally-facing research and development approach, combined with the depth and breadth of our drug discovery organization, enables us to expand our pipeline of new drug candidates designed to offer differentiated novel oncology and immunology treatments in various mechanisms and technologies. These include, among others, small molecules addressing cancer-related apoptosis, cell signaling, epigenetics and protein translation; biologic drug candidates including monoclonal and bispecific monoclonal antibodies; and novel technologies including antibody – drug conjugates and heterobifunctional small molecules. We believe our research and development team has the potential to discover candidates that are global first-in-class or best-in-class therapies in their respective categories and are well suited for combination therapies.

Successful track record of drug marketing and distribution execution

We have leveraged and will continue to leverage our deep institutional knowledge of the drug marketing and distribution process to bring our in-house oncology innovations to patients in China.

With future sales of our self-discovered oncology drugs in mind, we began building a large-scale national oncology commercial infrastructure in China over 18 months ago. We accelerated the growth of this dedicated oncology drug sales team to about 520 staff to support our assumption of all on-the-ground medical detailing, promotion and local and regional marketing activities for Elunate in October 2020 and the launch of Sulanda in mid-January 2021 in China. We expect this team will continue to grow steadily as a result of our commitment to executing the commercialization of these and our other drugs which may be approved in China. In addition, we are continuing to expand our U.S.-based international commercial capabilities.

A key to our ability to rapidly build our commercial organization in China has been the deep know-how in marketing and selling drugs within the complex medical system in China developed over the last two decades by our profitable Other Ventures operations. The joint ventures and subsidiaries in Other Ventures primarily manufacture, market and distribute prescription drugs in China and serve a dual purpose as both an extensive prescription drug sales network with significant expertise in commercial sales and distribution in China and an ongoing source of cash to partially fund our research and development activities. Many of the drugs sold by our Other Ventures are household-name brands and/or have significant or leading market shares.

Our Other Ventures operations have advanced to a significant scale, with our prescription drugs business operating a network of about 2,300 medical sales representatives covering hospitals in about 320 cities and towns in China as of December 31, 2020. Net income attributable to our Company from Other Ventures totaled US$41.4 million, US$41.5 million and US$72.8 million for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2020, we have received dividends from Other Ventures totaling over US$300 million since inception, which have been reinvested into our Oncology/Immunology operations.

Global partnerships and strategic collaborations, with a growing portfolio of unpartnered drug candidates over which we own all global rights

We have been successful in entering into and effectively managing partnerships and strategic collaborations with leading pharmaceutical companies. For example, our partnerships with AstraZeneca with respect to savolitinib, and Eli Lilly with respect to fruquintinib, have brought us clinical, regulatory and manufacturing support, which have accelerated the development of our drug candidates and have been a source of funding. We also believe that AstraZeneca's portfolio of proprietary targeted therapies is well suited to be used in combinations with savolitinib, and we are studying combinations of savolitinib with

AstraZeneca's Tagrisso (T790M+) and Imfinzi (PD-L1). These combinations of multiple global first-in-class compounds are difficult to replicate, and we believe represent a significant opportunity for us and AstraZeneca.

As our drug candidate pipeline has further developed, we have amended the terms of these collaborations several times to take more control over drug development and/or improve the potential economics of the arrangements for us. Specifically, we amended our collaboration agreement with Eli Lilly with respect to fruquintinib (Elunate), which gives us, among other things, all planning, execution and decision making responsibilities for life cycle indication development of fruquintinib in China. With the added flexibility in our Eli Lilly agreement, we entered into clinical collaboration agreements on a cost-sharing basis with Innovent globally to evaluate combination therapies of fruquintinib with their PD-1 inhibitor, as well as a global collaboration with BeiGene to study fruquintinib in combination with its anti-PD-1 antibody. A subsequent amendment to the Eli Lilly agreement in 2020 gave us an expanded role in the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities for fruquintinib in China. In return, subject to meeting pre-agreed sales targets, we will receive an estimated total of 70% to 80% of Elunate sales from Eli Lilly in the form of royalties, manufacturing costs and service payments. Furthermore, we and AstraZeneca amended the terms of our collaboration to increase the royalties on sales potentially payable to us in exchange for our contribution of certain clinical development costs for savolitinib.

In addition, we own all global rights with respect to our other eight clinical-stage drug candidates which enables us to selectively enter into collaborations with respect to these drugs to further their development. For example, we entered into global collaboration agreements with Innovent and Junshi to evaluate surufatinib in combination with their PD-1 inhibitors. The agreement with Innovent was subsequently expanded to include the evaluation of fruquintinib in combination with its PD-1 inhibitor. In 2020, we entered into a global collaboration agreement with BeiGene to evaluate surufatinib, as well as fruquintinib as noted above, in combination with its anti-PD-1 antibody. More recently, we recognized that our drug discovery organization was developing more new preclinical drug candidates than we could bring through clinical trials concurrently with our numerous other ongoing trials. To address this, we entered into a strategic partnership with Inmagene to further develop four of our novel preclinical drug candidates discovered by us for the potential treatment of multiple immunological diseases. Funded by Inmagene, the companies will work together to move the drug candidates towards IND submission. Flexibility in the development of our unpartnered drug candidates is important in providing us with multiple paths to advance such drugs to maximize their commercial potential.

Experienced and stable management team with proven track record in drug discovery, development and commercialization

We are led by an experienced and stable management team of seasoned industry executives, including many with senior-level experience at leading pharmaceutical companies such as Pfizer, Bristol-Myers Squibb, Sanofi, Eli Lilly, Roche and Gilead. Christian Hogg, our Chief Executive Officer, joined our Company in 2000 as our first employee. Mr. Hogg has since led all aspects of the creation, implementation and management of our strategy, business and listings, including the establishment of both our Oncology/Immunology and Other Ventures operations.

Led by our Chief Scientific Officer, Dr. Wei-guo Su, our research and development management team has extensive relevant experience. All team members have worked at multinational pharmaceutical and biotechnology companies and have participated in the discovery or development of a number of well-known drugs sold globally, including Alimta, Erbitux, Gemzar, Incivek, Sutent, Verzenio and Zithromax. Together, they have systematically built a productive research and development team of approximately 680 scientists and staff, of which over 350 had advanced technical degrees including 32 M.D.s and 82 doctorate degrees as of the Latest Practicable Date. This team has a proven track record in internal discovery, with our current ten self-discovered drug candidates having all advanced into the clinic in the past ten years.

We have also been successful in recruiting senior management teams for our Oncology/Immunology commercial organizations in China and, more recently, in the United States in preparation for a potential surufatinib U.S. launch in late 2021 or early 2022.

OUR STRATEGIES

Our vision is to be a global leader in the discovery, development and commercialization of targeted therapies and immunotherapies for the treatment of patients with cancer and immunological diseases. Key elements of our strategy are to:

Realize the global potential of our oncology drug candidates

Our first wave of innovation, surufatinib (unpartnered), fruquintinib (partnered in China with Eli Lilly) and savolitinib (partnered globally with AstraZeneca), are either commercialized, under review for marketing authorization, in the process of being filed for marketing authorization or in registrational studies in multiple jurisdictions. In the last several years, we have significantly expanded both the number of indications being studied in clinical trials for these drugs to cover a wide range of cancer types and the scale of the clinical trials for these drugs and the geographies in which they are conducted. In tandem with our ongoing progression of such drugs, we will continue to invest in the future with our deep pipeline of unpartnered next wave of oncology assets for which we own all rights globally and have significant flexibility in driving their development. Over the next 12 months, we plan to initiate late stage global development of HMPL-689 (PI3Kδ) and HMPL-523 (Syk) and progress early

development of HMPL-453 (selective FGFR 1/2/3 inhibitor) and HMPL-306 (IDH1 and IDH2 inhibitors). Progressing the clinical trials of our drug candidates in combination with other drug therapies, such as PD-1/L1 inhibitors, will also remain a priority as we explore the most effective ways to treat cancers from multiple angles. We plan to continue to add to our pipeline as novel drug candidates progress through IND-enabling studies.

We intend to accelerate our global drug development by leveraging our advanced clinical trial data from China. We may also selectively conduct clinical trials concurrently in China and other jurisdictions so that the programs progress in parallel globally. To broaden and scale our international operations and support the increasing clinical activities in the United States and Europe, we also plan to continue significantly expanding our clinical teams in those geographies.

Continue designing and creating molecules to develop into medicines with specific and differentiated characteristics for the benefit of patients

We believe our world-class drug discovery engine is our key competitive advantage. We aim to retain and grow our team of skilled scientists and provide them a stable and well-funded platform, with a clear strategic focus and long-term purpose to deliver global first-in-class and best-in-class medicines to patients.

We strive to create differentiated novel oncology and immunology treatments with global potential. These include furthering both small molecule and monoclonal antibody therapies which address aberrant genetic drivers, inactivated T-cell response and insufficient T-cell response. Our drug discovery team has utilized our expertise in advanced medicinal chemistry to develop next-generation tyrosine kinase inhibitors that have both high selectivity and superior pharmacokinetic properties. We believe these characteristics are crucial to maximizing effectiveness, such as in inhibiting targeted genetic drivers of cancer cell proliferation and angiogenesis. Equally importantly, we will continue to design chemical and biologic drug candidates with profiles that allow them to be used in innovative combinations with other selective inhibitors, chemotherapy agents and immunotherapies. Such combination therapies enable treatment of cancer via multiple pathways and modalities simultaneously, which has the potential to significantly improve treatment outcomes.

We plan to continue to build out our global pipeline of self-discovered drug candidates by advancing a rich pipeline of early-stage drug candidates, which include biologics addressing novel targets designed for use in combination with our small molecules as well as potentially a broad range of third-party therapies. We will also focus on developing drug candidates targeting new pathways that represent unmet medical needs such as our investigational new ERK 1/2 inhibitor, HMPL-295, which would be our tenth in-house discovered small molecule oncology drug candidate to enter into the clinic and the first of multiple candidates in discovery targeting the MAPK pathway.

Build and scale our marketing and commercialization capabilities globally

We plan to leverage our long-standing drug marketing and distribution know-how and infrastructure to support our innovative oncology product launches, focusing in particular on the Chinese and U.S. markets. We have a 20-year track record of marketing and selling products in China. We aim to grow our in-house oncology drug sales team in China of about 520 persons to over 900 persons by the end of 2023.

Outside of China, we intend to commercialize our products, if approved, in the United States where we have already begun to build our own sales team and are preparing to be ready to launch surufatinib, if approved, in late 2021 or early 2022. In Europe, Japan and other major markets, we intend to form collaborations with leading biopharmaceutical companies and/or contract sales organizations to fully realize the value of our assets. We are also focused on building out our commercial infrastructure to support our existing products and potential launches.

We will also continue to scale our manufacturing capacity to support the sales of our approved drugs, including expanding our existing Suzhou facility production team in phases, as well as our new plant in Shanghai, which we recently started constructing. This new plant represents a five-fold expansion of our existing production capacity, and we will look to maintain appropriate capacity in the future in line with the development of our pipeline of drug candidates and approved drugs.

Identify global business development and strategic acquisition opportunities to complement our internal research and development activities

We plan to explore opportunities to access complementary drug candidates and/or acquire interests in other biopharmaceutical companies to supplement our in-house research and development capabilities and to enhance our current drug candidate pipeline. We will also evaluate assets for in-licensing opportunities in China, with a focus on drug candidates with the potential to both complement our existing drug pipeline and have synergistic effects with each other.

In addition, we expect to progress some of our drug candidates by pursuing business development opportunities with other biopharmaceutical companies both in China and globally. For instance, in 2020 we began collaborating with BeiGene to evaluate combining surufatinib and fruquintinib with its anti-PD-1 antibody tislelizumab for the treatment of various solid tumor cancers in the United States, Europe, China and Australia. In 2021, we partnered with Inmagene to develop four of our self-discovered preclinical drug candidates for the potential treatment of various immunological diseases.

We will also continue to work with our partners, AstraZeneca and Eli Lilly, to optimize the potential of our drug candidates savolitinib (globally with AstraZeneca) and fruquintinib (in China with Eli Lilly). For example, in May 2020, we received acceptance for review of the savolitinib NDA in China for the treatment of NSCLC harboring MET exon 14 skipping alteration. If approved, this would be the first marketing authorization for savolitinib anywhere in the world. In July 2020, we amended our collaboration with Eli Lilly to assume responsibility for all on-the-ground medical detailing, promotion and local and regional marketing activities in China for Elunate, thereby expanding its potential economic value to our Company.

Capitalize on regulatory reforms currently underway in China aimed at addressing existing unmet medical needs and improving the health of its people

We believe the Chinese oncology market, which comprises approximately a quarter of the global oncology patient population, represents a substantial and fast-growing market opportunity. The oncology drug market in China is growing rapidly as a result of important government reforms that are underway, including the expansion of the NRDL to improve access to innovative drugs. We intend to capitalize on this market opportunity by leveraging and expanding our large and well-established drug discovery and commercial sales operations in China.

Historically, cumbersome pharmaceutical registration regulations led to limited availability of advanced therapies in China and high prices for those that were available. This led to surgery and chemotherapy being the standard of care for most patients in China. Over the past decade, the PRC government has endeavored to foster an innovative biopharmaceutical ecosystem, and in the last few years, the pace of reforms has accelerated with a clear focus on providing Chinese patients access to world-class oncology therapies through expanded insurance reimbursement and reduced time for clinical trials and drug approvals.

Having invested in drug innovation in China for about 20 years, beginning at a time when almost no other domestic companies were involved in innovative oncology research, we believe we are well positioned to capture this market opportunity. Supported by China's improving regulatory environment, we intend to rapidly advance our drug candidates to meet the country's unmet medical needs in oncology.

OUR CLINICAL PIPELINE

The following table summarizes the status of our clinical programs as of the Latest Practicable Date:

Program	Treatment	Indication	Target patient	Study name	Sites	Phase	Dose finding / safety run-in	Proof-of-concept	Registration
Savolitinib MET	**Savolitinib** + Tagrisso	NSCLC	2L/3L EGFRm; Tagrisso ref.; MET+	SAVANNAH	Global	II (Reg)	*		
	Savolitinib + Imfinzi (PD-L1)	Papillary RCC	MET+	SAMETA	Global	III	**		
	Savolitinib + Imfinzi (PD-L1)	Papillary RCC	All	CALYPSO	UK/Spain	II	***		
	Savolitinib + Imfinzi (PD-L1)	Clear cell RCC	VEGFR TKI refractory	CALYPSO	UK/Spain	II	***		
	Savolitinib	Gastric cancer	MET+	VIKTORY	S Korea	Ib/II	***		
	Savolitinib	Colorectal cancer	MET+		US	II	***		
	Savolitinib	NSCLC	MET exon 14 skipping		China	II (NDA)			NDA Submitted
	Savolitinib + Tagrisso	NSCLC	2L EGFR TKI ref. NSCLC; MET+	SACHI	China	III	**		
	Savolitinib + Tagrisso	NSCLC	Naïve MET+ & EGFRm NSCLC	SANOVO	China	III	**		
	Savolitinib	Gastric cancer	2L; MET+		China	II (Reg)	**		
Surufatinib VEGFR 1/2/3; FGFR1; CSF-1R	**Surufatinib**	NET	Refractory		US	Ib (NDA)			NDA Submitted
	Surufatinib	NET	Refractory		EU	Ib (MAA)			MAA Planned
	Surufatinib	Biliary tract cancer			US	Ib			
	Surufatinib	Soft tissue sarcoma			US	Ib			
	Surufatinib + tislelizumab (PD-1)	Solid tumors			US/EU	Ib/II			
	Surufatinib	Pancreatic NET	All	SANET-p	China	NDA			NDA Submitted
	Surufatinib	Non-Pancreatic NET	All	SANET-ep	China	III (Mkt)			Marketed
	Surufatinib	Biliary tract cancer	2L; chemotherapy refractory		China	IIb/III			
	Surufatinib + Tuoyi (PD-1)	NEN, ESCC, BTC			China	II			
	Surufatinib + Tuoyi (PD-1)	SCLC, GC, Sarcoma			China	II			
	Surufatinib + Tuoyi (PD-1)	TC, EMC, NSCLC			China	II			
	Surufatinib + Tyvyt (PD-1)	Solid tumors			China	I			
Fruquintinib VEGFR 1/2/3	**Fruquintinib**	Colorectal cancer	Refractory	FRESCO-2	US/EU/JP	III			
	Fruquintinib	Breast cancer			US	Ib			
	Fruquintinib + tislelizumab (PD-1)	TN breast cancer			US	Ib/II	**		
	Fruquintinib + tislelizumab (PD-1)	Solid tumors			TBD	Ib/II	**		
	Fruquintinib	Colorectal cancer	≥3L; chemotherapy refractory	FRESCO	China	III (Mkt)			Marketed
	Fruquintinib + Taxol	Gastric cancer	2L	FRUTIGA	China	III			
	Fruquintinib + Tyvyt (PD-1)	CRC, EMC, RCC, HCC			China	Ib/II			
	Fruquintinib + Tyvyt (PD-1)	GI tumors			China	Ib/II			
	Fruquintinib + geptanolimab (PD-1)	CRC			China	Ib			
	Fruquintinib + geptanolimab (PD-1)	NSCLC			China	Ib			
HMPL-689 PI3Kδ	**HMPL-689**	****			Australia	I			
	HMPL-689	Indolent NHL			US/EU	I/Ib			
	HMPL-689	FL, MZL			China	II (Reg)			
	HMPL-689	MCL, DLBCL			China	Ib			
	HMPL-689	CLL/SLL, HL			China	Ib			
HMPL-523 Syk	**HMPL-523**	Indolent NHL			Australia	Ib			
	HMPL-523	Indolent NHL			US/EU	I/Ib			
	HMPL-523	B-cell malignancies	All		China	I/Ib			
	HMPL-523	ITP	All		China	I/Ib			
HMPL-453 FGFR 1/2/3	**HMPL-453**	IHCC			China	II			
HMPL-306 IDH 1/2	**HMPL-306**	Solid tumors			US/EU	I			
	HMPL-306	Hem. malignancies			US/EU	I			
	HMPL-306	Hem. malignancies			China	I			
HMPL-295 (ERK, MAPK pathway)	**HMPL-295**	Solid tumors			China	I	**		
Epitinib EGFR	**Epitinib**	Glioblastoma	EGFR gene amplified		China	Ib/II			
Theliatinib EGFR wt	**Theliatinib**	Esophageal cancer	EGFR over-expression		China		*****		

** Phase II registration-intent study subject to regulatory discussion; ** In planning; *** Investigator-initiated trials (IIT); **** Healthy volunteers; and ***** Discontinued. (Reg) = Registration Intent; (NDA) = NDA submitted for review; (MAA) = MAA submission planned; and (Mkt) = NDA approved and product is on the market.*

Notes: MET = mesenchymal epithelial transition receptor, VEGFR = vascular endothelial growth factor receptor, TKI = tyrosine kinase inhibitor, EGFRm = epidermal growth factor receptor mutation, FGFR1 = fibroblast growth factor receptor 1, CSF-1R = colony stimulating factor-1 receptor, NET = neuroendocrine tumors, NEN = neuroendocrine neoplasms, ESCC = esophageal squamous-cell carcinoma, BTC = biliary tract cancer, SCLC = small cell lung cancer, GC = gastric cancer, TC = thyroid cancer, EMC = endometrial cancer, CRC = colorectal cancer, HCC = hepatocellular carcinoma, GI = gastrointestinal, Syk = spleen tyrosine kinase, PI3Kδ = Phosphatidylinositol-3-Kinase delta, NSCLC = non-small cell lung cancer, RCC = renal cell carcinoma, NHL = Non-Hodgkin's Lymphoma, FL = follicular lymphoma, MZL = marginal zone lymphoma, MCL = mantle cell lymphoma, DLBCL = diffuse large B cell lymphoma, CLL/SLL = chronic lymphocytic leukemia/small lymphocytic lymphoma, HL = Hodgkin's lymphoma, ITP = immune thrombocytopenic purpura, IHCC = Intrahepatic cholangiocarcinoma, IDH 1/2 = isocitrate dehydrogenase 1/2, ERK = extracellular-signal-regulated kinase, MAPK pathway = RAS-RAF-MEK-ERK signaling cascade.

The following is a summary of the clinical pipeline for our drug candidates, many of which are being investigated against multiple indications. All of our marketed drugs and pipeline candidates are small molecule.

1. Savolitinib MET Inhibitor

Savolitinib is a potent and selective inhibitor of MET, an enzyme which has been shown to function abnormally in many types of solid tumors. We designed savolitinib to address human metabolite-related renal toxicity, the primary issue that halted development of several other selective MET inhibitors. In clinical studies to date, savolitinib has shown promising signs of clinical efficacy in patients with MET gene alterations in NSCLC, PRCC, CRC, gastric cancer and prostate cancer with an acceptable safety profile. In global partnership with AstraZeneca, savolitinib has been studied in over 1,100 patients to date, both as a monotherapy and in combinations. For more information regarding our partnership with AstraZeneca, see "– *Overview of Our Collaborations – AstraZeneca.*"

Mechanism of Action

MET is a signaling pathway that has specific roles in normal mammalian growth and development. However, the MET pathway has also been shown to function abnormally in a range of different cancers, primarily through MET gene amplification, overexpression and gene mutations.

The aberrant activation of MET has been demonstrated to be highly correlated in many cancer indications, including kidney, lung, gastric, colorectal, esophageal and brain cancer. It plays a major role in cancer pathogenesis (i.e., the development of the cancer), including tumor growth, survival, invasion, metastasis, the suppression of cell death as well as tumor angiogenesis.

MET also plays a role in drug resistance in many tumor types. For instance, MET gene amplification has been found in NSCLC and CRC following anti-EGFR treatment, leading to drug resistance. Furthermore, MET dysregulation is considered to play a role in the immunosuppression and pathogenesis of kidney cancer.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – MET Pathway-Overview of MET Inhibitors*" for more details.

Savolitinib Research Background

First-generation selective MET inhibitors previously discovered by multinational pharmaceutical companies had positive pre-clinical data that supported their high MET selectivity and pharmacokinetic and toxicity profiles, but did not progress very far due to kidney toxicity. The issue appeared to be that certain metabolites of earlier compounds had dramatically reduced solubility and appeared to crystalize in the kidney, resulting in obstructive toxicity. With this understanding, we designed our compound, savolitinib (also known as AZD6094 and HMPL-504, formerly known as volitinib), differently while preserving high MET inhibition properties across multiple types of MET aberrations. Savolitinib has not shown any renal toxicity to date and does not appear to carry the same metabolite problems as the earlier selective MET compounds based on studies in over 1,100 patients conducted by AstraZeneca in global partnership with the Company.

Savolitinib Pre-clinical Evidence

In pre-clinical trials, savolitinib demonstrated strong in vitro activity against MET, affecting its downstream signaling targets and thus blocking the related cellular functions effectively, including proliferation, migration, invasion, scattering and the secretion of VEGF, that plays a pivotal role in tumor angiogenesis.

One of our key areas of focus in our pre-clinical trials is to achieve superior selectivity on a number of kinases. A commonly used quantitative measure of selectivity is through comparing enzyme IC_{50}, which represents the concentration of a drug that is required for 50% inhibition of the target kinase in vitro and the plasma concentration required for obtaining 50% of a maximum effect in vivo. High selectivity is achieved with a very low IC_{50} for the target cells, and a very high IC_{50} for the healthy cells (approximately 100 times higher than for the target cells). IC_{50} is measured in nM (nano-mole, a microscopic unit of measurement for the number of small molecules required to deliver the desired inhibitory effect).

In the MET enzymatic assay, savolitinib showed potent activity with IC_{50} of 5 nM. In a kinase selectivity screening with 274 kinases, savolitinib had potent activity against the MET Y1268T mutant (comparable to the wild-type), weaker activity against other MET mutants and almost no activity against all other kinases. Savolitinib was found to be approximately 1,000 times more potent to MET than the next non-MET kinase. Similarly, in cell-based assays measuring activity against MET phosphorylation, savolitinib demonstrated potent activity in both ligand-independent (gene amplified) and ligand-dependent (overexpressed) cells with IC_{50} at low nanomolar levels. In target related tumor cell function assays, savolitinib showed high potency with IC_{50} of less than 10 nM. Furthermore, savolitinib demonstrated cytotoxicity only on tumor cells that were MET gene amplified or MET overexpressed. In other cells, inhibition measurements demonstrated that IC_{50} amounts were over 30,000 nM, which is thousands of times higher than the IC_{50} on MET tumor cells.

The data above suggest that (i) savolitinib has potent activity against tumor cell lines with MET gene amplification in the absence of HGF, indicating that there is HGF-independent MET activation in these cells; (ii) savolitinib has potent activity in tumor cell lines with MET overexpressed, but only in the presence of HGF, indicating HGF-dependent MET activation; and (iii) savolitinib has no activity in tumor cell lines with low MET overexpression/gene amplification, suggesting that savolitinib has strong kinase selectivity.

Savolitinib Clinical Development

As discussed below, we have tested, and are currently testing, savolitinib in partnership with AstraZeneca in multiple indications, both as a monotherapy and in combination with other targeted therapies.

Non-small Cell Lung Cancer

We have two ongoing studies, which subject to positive clinical outcome, are designed to support NDA submission in NSCLC. The table below shows a summary of the clinical trials that we have recently completed and underway for savolitinib in NSCLC patients.

Current and Recent Clinical Trials of Savolitinib in NSCLC

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Savolitinib monotherapy	HUTCHMED	NSCLC with MET exon 14 skipping alteration	China (32)	II Registration	NDA accepted (May 2020)	NCT02897479
Savolitinib + Tagrisso	AstraZeneca and HUTCHMED	SAVANNAH: 2L/3L EGFRm+; Tagrisso refractory; MET+	Global (104)	II Registration-intent	Ongoing. Data to support progressing into Phase III, expected in 2H 2021	NCT03778229
Savolitinib + Tagrisso	AstraZeneca and HUTCHMED	2L/3L EGFRm+; Tagrisso refractory; MET+	Global (N/A)	III	In planning Intend to initiate in 2H 2021	N/A
Savolitinib + Tagrisso	AstraZeneca and HUTCHMED	SACHI: 2L EGFR TKI refractory NSCLC; MET+	China (45)	III	In planning Intend to initiate in 2H 2021	N/A
Savolitinib + Tagrisso	AstraZeneca and HUTCHMED	SANOVO: Naïve patients with EGFRm & MET+	China (45)	III	In planning Intend to initiate in 2H 2021	N/A
Savolitinib + Tagrisso	AstraZeneca and HUTCHMED	NSCLC EGFRm+; Tagrisso refractory	Global (43)	I/Ib	Final data presented at WCLC in January 2021. Supported initiation of SAVANNAH	NCT02143466

Notes:

(1) Expected maximum number of sites.

Global = more than two countries; 2L = second line; 3L = third line; and refractory = resistant to prior treatment.

Savolitinib Monotherapy

It is estimated that 2-3% of newly diagnosed NSCLC patients have a specific genetic mutation, known as MET exon 14 skipping alterations which leads to poor prognosis. This equates to over 10,000 new patients per year in China. Current chemotherapies and immunotherapies provide limited efficacy in MET exon 14 skipping NSCLC patients.

Phase II study of savolitinib monotherapy in NSCLC patients with MET exon 14 alteration (Status: NDA accepted; NCT02897479)

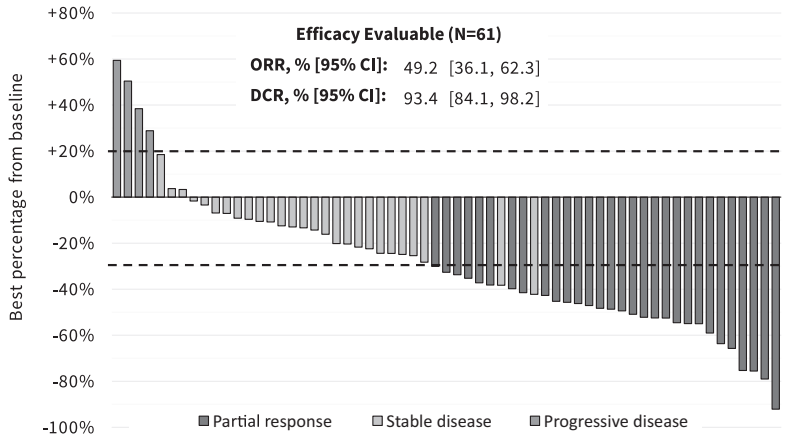
We have completed enrollment of a 70-patient Phase II registration-intent study in China of savolitinib as a monotherapy for MET exon 14 skipping NSCLC patients who have progressed following prior systemic therapy, or unable to receive chemotherapy.

At the ASCO Annual Meeting in June 2020, we presented interim data on 70 treated patients, of which 61 patients were efficacy evaluable at the data cut-off date of March 31, 2020. The overall data were encouraging, with efficacy in line with other selective MET inhibitors, despite the inclusion of patients with a more aggressive subtype (36% with pulmonary sarcomatoid carcinoma) and with tolerable safety. Efficacy measurements included the ORR (the percentage of patients in the study who show either partial response (tumor measurement reduction of greater than 30%) or complete response), disease control rate, median PFS and median OS.

At subsequent data cut-off date of August 3, 2020, in the 61 evaluable patients, ORR was 49.2% and disease control rate was 93.4%. Median duration of response was 8.3 months (95% confidence interval: 5.3-16.6). In the full analysis set of 70 patients, median PFS was 6.8 months (95% confidence interval: 4.2-9.6). Median OS was 12.5 months (95% confidence interval: 10.5-23.6). A 95% confidence interval means that there is a 95% chance that the results will be within the stated range. CTC grade 3 or above TEAEs, with greater than 5% incidence related to savolitinib treatment were peripheral edema (9%), increased aspartate aminotransferase (13%) and increased alanine aminotransferase (10%). Clinical data demonstrated an acceptable safety profile with an adverse events-related discontinuations rate of 14.3%.

Results from this study formed the basis for an NDA filing which was accepted by the NMPA in May 2020. Priority review status was granted in July 2020 and, subject to approval, launch is expected as early as mid-2021.

Phase II Study of Savolitinib Monotherapy Showing Effect in MET Exon 14 Alteration NSCLC Patients



Notes: N = number of patients; ORR = objective response rate; DCR = disease control rate; and CI = confidence interval.

Source: Lu S, Fang J et al. Phase II study of savolitinib in patients (pts) with pulmonary sarcomatoid carcinoma (PSC) and other types of non-small cell lung cancer (NSCLC) harboring MET exon 14 skipping mutations (METex14+). Journal of Clinical Oncology 2020 38:15_suppl, 9519-9519.

Savolitinib and Tagrisso Combination

In 2015, AstraZeneca received FDA approval for Tagrisso, its drug for the treatment of T790M+ EGFRm+, tyrosine kinase inhibitor-resistant NSCLC. A drug with this type of activity is known as a third-generation EGFR inhibitor. In 2018, Tagrisso's label was expanded to include previously untreated patients with EGFRm+ NSCLC. In December 2020, Tagrisso's label was further expanded to include adjuvant therapy after tumor resection in EGFRm+ NSCLC patients. Tagrisso has been established as a new standard of care in the treatment of EGFRm+ NSCLC and has now been approved in over 80 countries. Understanding the mechanism of acquired resistance following Tagrisso treatment is a key clinical question to inform the next treatment choice. A portion of EGFRm+ tyrosine kinase inhibitor-resistant patients and a portion of T790M+ EGFRm+ tyrosine kinase inhibitor-resistant patients progress because of MET gene amplification.

At the European Society of Medical Oncology Congress in 2018, AstraZeneca presented the first results on the acquired resistance spectrum detected in patient plasma samples after progression in the first-line (FLAURA) and second-line T790M (AURA3) Phase III studies. MET amplification was among the most frequent mechanisms of acquired resistance to Tagrisso, with 15% of patients in the FLAURA study and 19% of patients in the AURA3 study exhibiting MET amplification after treatment with Tagrisso. Ongoing research with tissue (biopsy) samples will further elucidate the incidence of MET and other mechanisms in the development of resistance to EGFR inhibitors.

Data presented in June 2017 at the ASCO by Harvard Medical School and Massachusetts General Hospital Cancer Center showed that about 30% (7/23 patients) of Tagrisso-resistant third-line NSCLC patients harbored MET gene amplification based on analysis of tissue samples. This third-line patient population was generally heavily pre-treated and highly complex from a molecular analysis standpoint, with the study showing that more than half of the MET gene amplification patients also harbored additional genetic alterations, including EGFR gene amplification and K-Ras mutations.

As discussed in more detail below, we and AstraZeneca are studying savolitinib in combination with Tagrisso as a treatment choice for patients who have developed a resistance to tyrosine kinase inhibitors (primarily Tagrisso). The acceptance and uptake of Tagrisso indicates that the market potential for savolitinib in Tagrisso-resistant, NSCLC could be material.

TATTON study: Phase Ib/II expansion studies of savolitinib in combination with Tagrisso in NSCLC EGFRm+ inhibitor refractory patients (Status: complete; NCT02143466)

The TATTON study is a global exploratory Phase I/Ib study in NSCLC aiming to recruit patients with MET gene amplification who had progressed after prior treatment with EGFR inhibitors to support a decision on global Phase II/III registration strategy. This followed the completion of TATTON Part A, a Phase I study that established that a savolitinib and Tagrisso combination could be safe and well tolerated and also demonstrated preliminary signs of efficacy. In 11 evaluable patients who were MET positive, the ORR was 55% with a disease control rate of 100%.

As of data cut-off on March 4, 2020, a total of over 220 patients had received the savolitinib plus the Tagrisso combination treatment across six TATTON treatment arms, Parts A, B1, B2, B3, C and D. Final analysis for the B and D parts of the study were most recently presented at the 2020 World Conference on Lung Cancer Worldwide Virtual Event held in January 2021, and interim data (data cut-off on March 29, 2019) were previously published in *The Lancet Oncology* in February 2020. As summarized below, the combination demonstrated an encouraging anti-tumor activity and an acceptable risk-benefit profile, regardless of dose.

First and second-generation EGFRm+ inhibitor refractory patients with acquired resistance driven by MET amplification

TATTON Part B2 tested patients who were T790M negative with no prior third-generation EGFR tyrosine kinase inhibitor treatment. Of the 51 patients who received treatment (48 efficacy evaluable), 33 patients had confirmed responses (65% of treated patients; 69% of evaluable patients) with 45 patients experiencing disease control (88% of treated patients; 94% of evaluable patients). The median PFS was 9.1 months (95% confidence interval: 5.5-12.8 months). Pooled CTC grade 3 or above TEAEs in Part B of the study with greater than 5% incidence independent of causality were decreased neutrophil count (7%), increased aspartate aminotransferase (6%), increased alanine aminotransferase (5%), and pneumonia (5%).

TATTON Part B3 tested patients who were T790M positive with no prior third-generation EGFR tyrosine kinase inhibitor treatment. Of the 18 patients who received treatment, 12 patients had confirmed responses (67%) with 18 patients experiencing disease control (100%). The median PFS was 11.1 months (95% confidence interval: 4.1 months – 22.1 months).

In late 2017, the TATTON Part D study was initiated to study Tagrisso combined with a lower savolitinib dose (300 mg once daily) in the context of maximizing long-term tolerability of the combination for patients who could be in poor condition and/or on the combination for long periods of time. Of the 42 patients who received treatment (40 efficacy evaluable), 26 patients had confirmed responses (62% of all patients; 65% of evaluable patients) with 39 patients experiencing disease control (93% of all patients; 98% of evaluable patients). The median PFS was 9.0 months (95% confidence interval: 5.6-12.7 months). CTC grade 3 or above TEAEs in Part D of the study with greater than 5% incidence independent of causality were pneumonia (10%), drug hypersensitivity (7%), pulmonary embolism (5%), diarrhea (5%), myalgia (5%) and generalized edema (5%). Overall the combination regimen of savolitinib 300 mg and Tagrisso was tolerable. In Part D of the study, there was lower incidence of grade $\geq$ 3 AEs and SAEs as compared to Part B. The TATTON Part D study demonstrated that a lower dose did not impair clinical efficacy, while maintaining a better tolerability profile. The results led to the selection of the 300 mg savolitinib plus 80 mg Tagrisso combination dose for the SAVANNAH study, and two additional cohorts of savolitinib 300 mg twice daily dose (BID) and 600 mg once daily dose (QD) plus 80 mg Tagrisso combination doses are recruiting, as discussed below.

Tagrisso or another experimental third-generation EGFRm tyrosine kinase inhibitor refractory patients with acquired resistance driven by MET amplification

The TATTON Part B1 study also enrolled NSCLC patients that had progressed after treatment with a third-generation EGFR inhibitor as a result of MET gene amplification acquired resistance. These patients were recruited prior to the April 2018 FDA approval of Tagrisso as a first-line treatment and the January 2019 update to the National Comprehensive Cancer Network guidelines that state that Tagrisso is the preferred first-line treatment for patients with EGFR mutation regardless of pre-treatment T790M mutation status.

Savolitinib in combination with Tagrisso from the TATTON Part B1 study showed promising data. Of the 69 patients that had progressed on Tagrisso monotherapy and harbored MET amplification (60 patients were efficacy evaluable), there were 23 patients with confirmed responses (33% of all patients; 38% of evaluable patients) with 52 patients experiencing disease control (75% of all patients; 87% of evaluable patients). The median PFS was 5.5 months (95% confidence interval: 4.1-7.7 months).

Savolitinib Plus Tagrisso Combination Showing Effect in EGFR Refractory Patients Who Are Either Tagrisso Refractory (Part B1) or Tagrisso Naïve (Parts B2, B3, D)

	TATTON Part B Osimertinib 80mg +Savolitinib 600mg[1]			**TATTON Part D Osimertinib 80mg +Savolitinib 300mg**
	Part B1 (n=69) Prior third-generation EGFR-TKI	**Part B2 (n=51)** No prior third-generation EGFR-TKI (T790M negative)	**Part B3 (n=18)** No prior third-generation EGFR-TKI (T790M positive)	**Part D (n=42)** No prior third-generation EGFR-TKI (T790M negative)
ORR, % [95%CI]	33% [22, 46]	65% [50, 78]	67% [41, 87]	62% [46, 76]
Complete response, %	0	0	0	0
Partial response, %	33%	65%	67%	62%
Non-response, %				
Stable disease (≥ 6 weeks)	42%	24%	33%	31%
Progressive disease	12%	6%	0	2%
Not evaluable	13%	6%	0	5%
Disease control rate, % [95% CI]	75% [64, 85]	88% [76, 96]	100% [81, 100]	93% [81, 99]
Median DoR, months [95% CI]	9.5 [4.2, 14.7]	10.7 [6.1, 14.8]	11.0 [2.8, NR]	9.7 [4.5, 14.3]
Median PFS, months [95% CI]	5.5 [4.1, 7.7]	9.1 [5.5, 12.8]	11.1 [4.1, 22.1]	9.0 [5.6, 12.7]

Notes: [1] Most patients were enrolled to Part B1, B2, B3 on 600 mg savolitinib, prior to weight-based dosing implementation, but following a protocol amendment in response to a safety signal of hypersensitivity, the final 21 patients enrolled in Part B were dosed with savolitinib by body weight as follows: patients who weighed ≤55 kg (n=8) received 300 mg daily and those weighing >55 kg (n=13) received 600 mg daily; Best response data are for patients who had an opportunity to have two follow-up scans; CI = confidence interval; n = number of patients; NR = not reached; ORR = objective response rate; DoR = duration of response; PFS = progression free survival; and EGFR-TKI = epidermal growth factor receptor tyrosine kinase.

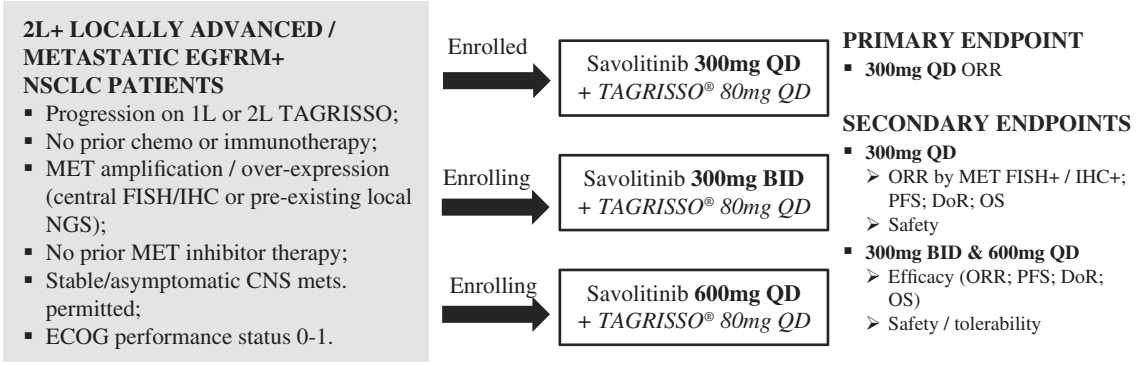
Source: Han JY, Sequist LV, Ahn MJ, et al. Osimertinib + savolitinib in patients with EGFRm MET-amplified/overexpressed NSCLC: Phase Ib TATTON Parts B and D final analysis. Poster presented at: 2021 World Conference on Lung Cancer Singapore; January 28-21, 2021; Virtual. https://bit.ly/3cl7QRE

SAVANNAH study: Phase II study of savolitinib in combination with Tagrisso in NSCLC Tagrisso-refractory EGFRm+ patients (Status: enrolling; NCT03778229)

Based on the encouraging results of the multiple TATTON studies, we and AstraZeneca have initiated a global Phase II study of savolitinib in combination with Tagrisso in EGFRm+ NSCLC patients with MET gene amplification who have progressed following first or second-line Tagrisso therapy. The SAVANNAH study is a single-arm study in North and South America, Europe and Asia. Subject to positive clinical outcomes and regulatory interactions, the SAVANNAH study is designed to support potential NDA submission for savolitinib.

The SAVANNAH study has now fully enrolled the savolitinib 300mg QD and Tagrisso cohort, and is currently enrolling two additional cohorts of savolitinib 300mg BID and 600mg QD. The SAVANNAH study will also determine optimal design of the planned global Phase III study regarding optimal biomarker strategy and dosage regimen. Enrollment is expected to complete in mid-2021 and planning for the global Phase III study is now underway.

The SAVANNAH Study Design: Addressing Tagrisso Resistance Through Combination Therapies



Notes: 1L = first line; 2L = second line; 2L+ = second line and above; EGFRM+ = epidermal growth factor receptor mutation positive; ECOG = Eastern Cooperative Oncology Group; BID = twice daily; QD = once daily; FISH (+) = fluorescence in situ hybridization (positive); IHC (+) = immunohistochemistry (positive); ORR = objective response rate; PFS = progression free survival; DoR = duration of response; OS = overall survival; and MET = mesenchymal epithelial transition receptor.

Source: Company.

In-Planning – SACHI study: China Phase III study of combination with Targrisso in 2L EGFR TKI refractory, MET amplified NSCLC patients

We intend to initiate a Phase III study in China targeting EGFR TKI refractory second-line NSCLC patients in the second half of 2021.

In-Planning – SANOVO study: China Phase III study of combination with Targrisso in EGFR mutant and MET positive NSCLC patients

We intend to initiate a Phase III study in China targeting treatment naïve patients who are both EGFR mutation and MET positive in the second half of 2021.

Kidney Cancer

The table below shows a summary of the clinical trials that we have recently completed or are underway for savolitinib in kidney cancer patients.

Current and Recent Clinical Trials of Savolitinib in Kidney Cancer

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Savolitinib + Imfinzi	AstraZeneca and HUTCHMED	SAMETA: MET-driven, unresectable and locally advanced or metastatic PRCC	Global (N/A)	III	In planning Expected to begin enrollment in the second half of 2021	N/A
Savolitinib + Imfinzi	Queen Mary University of London, Vall d'Hebron Institute of Oncology, AstraZeneca	CALYPSO: PRCC	U.K./ Spain (18)	II	Data update in ASCO. Interim analysis supports progressing into Phase III.	NCT02819596
Savolitinib + Imfinzi	Queen Mary University of London, Vall d'Hebron Institute of Oncology, AstraZeneca	CALYPSO: Clear cell RCC; VEGFR TKI refractory	U.K./ Spain (18)	II	Ongoing	NCT02819596
Savolitinib monotherapy	AstraZeneca and HUTCHMED	SAVOIR: PRCC	Global (58)	III	Completed. Support decision to progress into Phase III.	NCT03091192

Notes:

(1) Expected maximum number of sites.

PRCC = papillary renal cell carcinoma; RCC = renal cell carcinoma; ASCO GU 2020 = the American Society of Clinical Oncology's 2020 Genitourinary Cancers Symposium; VEGFR TKI refractory = resistant to prior VEGFR tyrosine kinase inhibitor treatment; Global = more than two countries; PFS = progression free survival; and MET = mesenchymal epithelial transition receptor.

PRCC is the most common of the non-clear cell renal cell carcinomas representing about 14% of kidney cancer, with approximately half of patients estimated to harbor MET-driven disease. No targeted therapies have been approved specifically for PRCC, although some efficacy was observed for cabozantinib in an investigator sponsored study, PAPMET, which reported ORR of 23% and median PFS of 9 months in 44 patients not selected for MET status and who mostly (95%) did not receive prior systemic therapy (Pal SK, et al. Lancet. 2021). Modest efficacy in non-clear cell renal cell carcinoma has been reported in sub-group analyses of broader RCC studies of VEGFR (e.g., Sutent) and mammalian target of rapamycin (e.g., Afinitor) TKI, with ORR of <10% and median PFS in first-line setting of four to six months and second-line setting of only one to three months (ESPN study, Tannir N. M. et al.).

During an Australian Phase I study, our investigators noted positive outcomes among PRCC patients with a strong correlation to MET gene amplification status. Out of a total of eight PRCC patients in our Australia Phase I study who were treated with various doses of savolitinib, three achieved confirmed partial responses. A further three of these eight PRCC patients achieved stable disease, which means patients without partial response but with a tumor measurement increase of less than 20%. This aggregate ORR of 38% was very encouraging for PRCC, which has no effective approved treatments. These responses were also durable as demonstrated by a patient who has been on the therapy for over 30 months and had tumor measurement reduction of greater than 85%. Importantly, the level of tumor response among these PRCC patients correlated closely with the level of MET gene amplification. The patients with consistent MET gene amplification across the whole tumor responded most to savolitinib, and with those patients with the highest level of MET gene amplification responding most to the treatment.

Recent data have emerged to show that PRCC responds to immunotherapy such as inhibitors of an immune checkpoint known as PD-1 used by cancer cells to avoid being attacked by the immune system. Preliminary data from the KEYNOTE-427 study (Cohort B) as presented by Merck & Co at the ASCO's 2019 Genitourinary Cancers Symposium showed objective response in treatment naïve PRCC patients treated with the PD-1 inhibitor Keytruda was 25%. In the broader kidney cancer setting, combinations of PD-1 or PD-L1 drugs with targeted therapies that demonstrated single agent effect have demonstrated additive benefits.

Savolitinib and Immunotherapy Combinations

Immunotherapy combinations are rapidly changing the treatment landscape in kidney cancer. Immune checkpoints such as PD-L1 are sometimes used by cancer cells to avoid being attacked by the immune system. As such, drugs that target these checkpoints are being developed or marketed as cancer treatments. Imfinzi is an anti-PD-L1 antibody owned by AstraZeneca. Anti-PD-L1 antibodies have been associated with clinical benefits in metastatic RCC, and MET dysregulation has been considered to play an important role in PRCC pathogenesis (including in our savolitinib Phase I and Phase II monotherapy studies) and is a mechanism of resistance against kinase inhibitors in clear cell renal cell carcinoma. Moreover, it is believed that the MET signaling pathway has a complex interplay with the immune system, including correlation with PD-L1 expression, immune suppression through angiogenesis and many other facets of the immune system. Our CALYPSO study discussed below aims to explore and potentially confirm this interplay.

CALYPSO study: Phase II study of savolitinib in combination with Imfinzi in both PRCC and clear cell renal cell carcinoma patients (Status: dose expansion ongoing; NCT02819596)

The CALYPSO study is an investigator-initiated open-label Phase II study of savolitinib in combination with Imfinzi. The study is evaluating the safety and efficacy of the savolitinib and Imfinzi combination in both PRCC and clear cell renal cell carcinoma patients at sites in the U.K. and Spain.

Interim results of the PRCC cohort of the CALYPSO study were most recently presented at the ASCO 2021 and showed encouraging efficacy across all patients, both MET+ and MET-. In the 41 patients who were selected regardless of PD-L1 or MET status, ORR was 29% (12/41), while median PFS was 4.9 months (95% confidence interval: 2.5-10.0 months). Median OS was 14.1 months (95% confidence interval: 7.3-30.7 months). For the 14 patients whose tumors are MET-driven, ORR was 57% (8/14), median PFS was 10.5 months (95% confidence interval: 2.9-15.7), and median OS was 27.4 months (95% confidence interval: 7.3-NR). Tolerability was consistent with established single agent safety profiles. In the analysis previously presented at ASCO's Genitourinary Cancers Symposium in 2020, there were 13 treatment related CTC grade 3 or above TEAEs that occurred in more than three patients, with edema (10%), nausea (5%) and transaminitis (5%) being most frequent. We and AstraZeneca continue to explore development of the savolitinib-Imfinzi combination in PRCC patients.

In-Planning – SAMETA: Phase III in combination with Imfinzi PD-L1 inhibitor in MET-driven, unresectable and locally advanced or metastatic PRCC

Based on the encouraging results of the SAVOIR and CALYPSO studies, we intend to initiate a global Phase III, open-label, randomized, controlled study of savolitinib plus Imfinzi versus sunitinib monotherapy versus Imfinzi monotherapy in patients with MET-driven, unresectable and locally advanced or metastatic PRCC. The study is expected to begin enrollment by the second half of 2021.

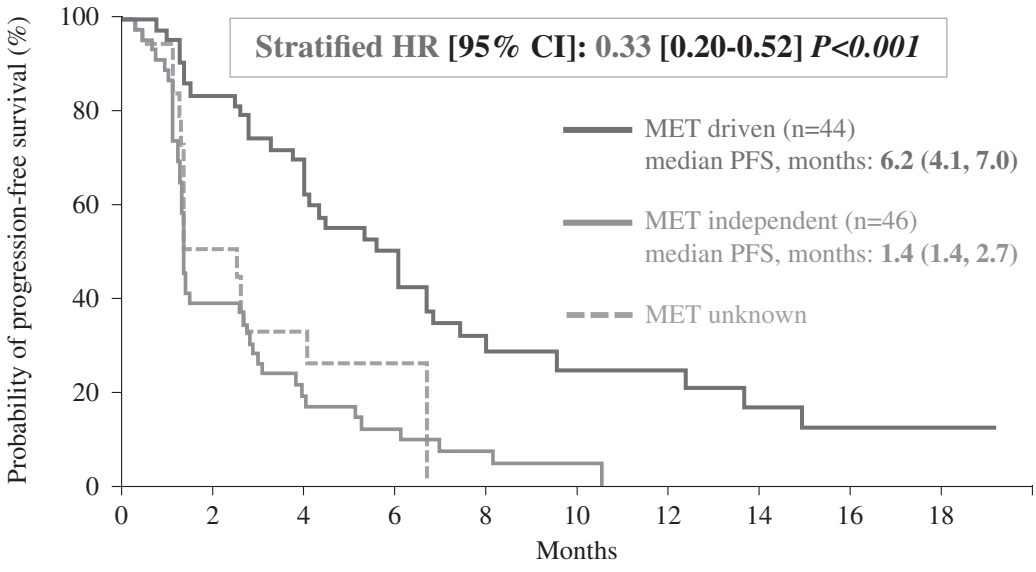
Savolitinib Monotherapy

Phase II study of savolitinib monotherapy in PRCC (Status: completed; NCT02127710)

In early 2017, we presented the results of our global Phase II study in PRCC at the ASCO's Genitourinary Cancers Symposium and subsequently published these results in the Journal of Clinical Oncology. Of 109 patients treated with savolitinib, PRCC was MET driven in 44 patients (40%), MET independent in 46 patients (42%) and MET status unknown in 19 patients (17%). The ORR based on confirmed partial responses in all patients was 7% (8/109). MET-driven PRCC was strongly associated with encouragingly durable response to savolitinib with an ORR in the MET-driven group of 18% (8/44) as compared to 0% (0/46) in the MET independent group (p=0.002). Of the eight patients exhibiting a partial response, six were still responding to treatment at data cutoff, with a duration of response of 2.4 to 16.4 months. Two patients who achieved a partial response subsequently experienced progressive disease after

1.8 and 2.8 months. P-value is a measure of the probability of obtaining the observed sample results, with a lower value indicating a higher degree of statistical confidence in these studies. Median PFS for patients with MET-driven and MET-independent PRCC patients was 6.2 months (95% confidence interval: 4.1-7.0) and 1.4 months (95% confidence interval: 1.4-2.7), respectively (hazard ratio=0.33; 95% confidence interval: 0.20-0.52; p<0.001). Hazard ratio is the probability of an event (such as disease progression or death) occurring in the treatment arm divided by the probability of the event occurring in the control arm of a study, with a ratio of less than one indicating a lower probability of an event occurring for patients in the treatment arm. Savolitinib had a disease control rate of 73% in the MET-driven group and 28% in the MET independent group for efficacy evaluable patients. Savolitinib was well tolerated, with no reported CTC grade 3 or above TEAEs with greater than 5% incidence. Total aggregate savolitinib CTC grade 3 or above TEAEs occurred in just 19% of patients.

Phase II Study of Savolitinib Monotherapy in PRCC in the United States, Canada and Europe. This Study Clearly Demonstrated MET-Driven Patients had Better PFS Compared to MET Independent Patients.



Notes: n = number of patients; CI = confidence interval; and HR = hazard ratio.

Disease progression occurred in 33 (75%), 44 (96%), and 14 patients (74%) with MET-driven, MET-independent, and MET-unknown papillary renal cell carcinoma, respectively.

Source: Choueiri TK, Plimack E, Arkenau HT, et al. Biomarker-Based Phase II Trial of Savolitinib in Patients With Advanced Papillary Renal Cell Cancer. J Clin Oncol. 2017;35(26):2993-3001. doi:10.1200/JCO.2017.72.2967.

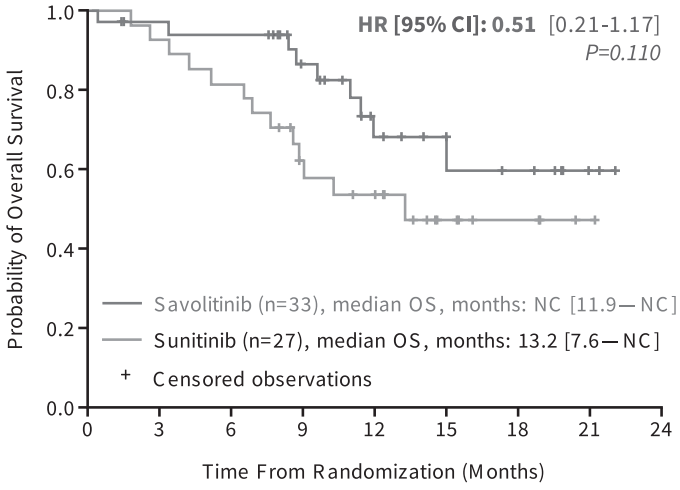
SAVOIR study: Phase III study of savolitinib monotherapy in PRCC (Status: enrollment suspended; NCT03091192)

We initiated the SAVOIR study in June 2017. The SAVOIR study was designed to be a global Phase III, open-label, randomized, controlled trial evaluating the efficacy and safety of savolitinib (600 mg once daily) compared with Sutent in patients with MET-driven, unresectable, locally advanced or metastatic PRCC. MET status was confirmed by the novel targeted next-generation sequencing assay developed for savolitinib. Patients were randomized in a 1:1 ratio to receive either treatment with savolitinib or treatment with Sutent. The primary endpoint for efficacy in the SAVOIR study was median PFS, with secondary endpoints of OS, ORR, duration of response, best percentage change in tumor size, disease control rate, and safety and tolerability.

To further understand the role of MET-driven disease in PRCC, we conducted a global molecular epidemiology study, which screened, using our companion diagnostic, archived tissue samples from PRCC patients to identify MET-driven disease. Historical medical records from these patients were then used to determine if MET-driven disease is predictive of worse outcome, in terms of PFS and OS, in PRCC patients. Confounding results from this external study led to the early termination of SAVOIR in December 2018, with 60 patients randomized at the time.

Results from the 60 randomized patients (33 savolitinib, 27 Sutent) were promising and data were presented at ASCO and published simultaneously in *JAMA Oncology* in May 2020. In terms of OS, savolitinib patients had not reached median OS at data cut-off, compared to 13.2 months for Sutent patients (HR 0.51; 95% CI: 0.21–1.17; p=0.110). Median PFS was 7.0 months for savolitinib patients, compared to 5.6 for Sutent patients (HR 0.71; 95% CI: 0.37–1.36; p=0.313). Responses were observed in 27% and 7% of savolitinib and Sutent patients, respectively. This difference did not reach statistical significance due to the small sample size. In terms of safety, Grade ≥3 AEs were reported in 42% of savolitinib patients versus 81% of Sutent patients, with AEs leading to dose modification in 30% and 74% of savolitinib and Sutent patients, respectively. CTC grade 3 or above adverse events with greater than 5% incidence related to savolitinib treatment were increased aspartate aminotransferase (15%) and increased alanine aminotransferase (12%). Those related to Sutent were anemia (15%), hypertension (15%), thrombocytopenia (7%), increased aspartate aminotransferase (7%), and increased alanine aminotransferase (7%).

SAVOIR 60-Patient Study of Savolitinib Monotherapy in MET-Driven PRCC Patients. This Study Demonstrated a Strong Signal of Response and Potential Survival Benefit Compared to Sutent Monotherapy



	Savolitinib (N=33)	**Sutent (sunitinib, N=27)**
Objective response rate, % [95% CI]	27.3% [13.3, 45.5]	7.4% [0.9, 24.3]
PFS, months [95% CI]	7.0 [2.8, NC]	5.6 [4.1, 6.9]
		Hazard Ratio: 0.71 [0.37, 1.36]
Disease control rate @ 6 months, % [95% CI]	48.4% [30.8, 66.5]	37.0% [19.4, 57.6]
Disease control rate @ 12 months, % [95% CI]	30.3% [15.6, 48.7]	22.2% [8.6, 42.3]

Notes: At data cut-off, all nine savolitinib responders remained in response, while one of two sunitinib responders remained in response. n = number of patients; CI = confidence interval; NC = not calculated; OS = overall survival; PFS = progression-free survival; and HR = hazard ratio.

Source: Choueiri TK, et al. Efficacy of Savolitinib vs Sunitinib in Patients With MET-Driven Papillary Renal Cell Carcinoma: The SAVOIR Phase 3 Randomized Clinical Trial. JAMA Oncol. Published online May 29, 2020. doi:10.1001/jamaoncol.2020.2218.

Based on these data, we and AstraZeneca are actively evaluating the opportunity to restart clinical trials of savolitinib in combination with Imfinzi versus Sutent monotherapy and versus Imfinzi monotherapy in patients with MET-driven, unresectable and locally advanced or metastatic PRCC. The study is expected to begin enrollment in the second half of 2021.

Gastric Cancer

The table below shows a summary of our clinical trial for savolitinib in gastric cancer patients.

Clinical Trials of Savolitinib in Gastric Cancer

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Savolitinib monotherapy	HUTCHMED and Samsung Medical Center	VIKTORY: Gastric cancer (MET amplification)	China & South Korea (21)	Ib/II	Completed. Support decision to progress into Phase II registration intent study	NCT01985555/ NCT02449551
Savolitinib monotherapy	HUTCHMED	2L+ gastric cancer with MET amplification	China (30)	II registration intent	In-planning Intend to initiate in mid-2021	N/A

Note:

(1) Expected maximum number of sites.

Phase II gastric cancer studies have been completed in China and in South Korea. A total of over 1,000 gastric cancer patients have been screened in these studies and those patients with confirmed MET-driven disease were treated with savolitinib.

Phase Ib/II study of savolitinib monotherapy in MET amplified gastric cancer in China (Status: completed; NCT01985555)

Preliminary results of the China study were presented at the 2017 Chinese Society of Clinical Oncology for the efficacy evaluable MET gene amplified patients. Based on confirmed and unconfirmed partial responses, the ORR was 43% (3/7) and disease control rate was 86% (6/7), with ORR of 14% (3/22) and disease control rate of 41% (9/22) among the overall efficacy evaluable aberrant MET set of patients with MET amplification (n=7) and MET overexpression (n=15). As of data cut-off, the longest duration of treatment was in excess of two years. Savolitinib monotherapy was determined to be safe and well tolerated in patients with advanced gastric cancer. CTC grade 3 or above TEAEs with greater than 5% incidence included abnormal hepatic function in 13% (4/31), gastrointestinal bleeding or decreased appetite in 10% (3/31 each), and diarrhea or gastrointestinal perforation in 6% (2/31 each). This China study concluded that savolitinib monotherapy demonstrated promising anti-tumor efficacy in gastric cancer patients with MET gene amplification, and that the potential benefit to these patients warranted further exploration, with enrollment continuing.

VIKTORY Phase II study of savolitinib in MET amplified gastric cancer in South Korea (Status: completed; NCT02449551)

The VIKTORY study is a biomarker-based, Phase II umbrella trial in gastric cancer conducted by the Samsung Medical Center in South Korea. Patients were allocated to one of 12 biomarker-driven arms, based on a master screening protocol with tissue-based molecular analyses. Patients that tested positive for MET amplification or overexpression were treated with either savolitinib monotherapy or a combination of savolitinib and Taxotere.

A total of 715 gastric cancer patients were successfully sequenced and MET amplification was observed in 3.5% of these patients (25/715). Of the 10 associated clinical trials under the VIKTORY umbrella, the highest ORR was observed in the MET amplification arm in patients treated with savolitinib monotherapy, which reported an ORR of 50% (10/20, 95% confidence interval: 28.0-71.9) and met pre-specified 6-week PFS rates. While the savolitinib and Taxotere combination was well tolerated, the VIKTORY study investigators decided to stop enrollment in the two combination cohorts in order to direct patients to the savolitinib monotherapy arm of the VIKTORY study as discussed above.

The VIKTORY study investigators have concluded that encouraging clinical efficacy of savolitinib in MET-amplified gastric cancer warrants further study.

In-Planning – China Phase II study with potential for registration intent in 2L+ gastric cancer with MET amplification

In the third quarter of 2021, we intend to initiate a Phase II registration-intent study in MET-amplified gastric cancer in China. This is a two-stage, single-arm study which targets advanced gastric cancer patients who have failed at least one line of treatment. The primary endpoint is ORR. Subject to the results of the first-stage of this study we will discuss with the CDE of NMPA the appropriate approach and necessary criteria for registration.

Savolitinib Exploratory Development

The table below shows a summary of the clinical study that is underway for savolitinib in other solid tumors.

Clinical Trial of Savolitinib in CRC

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Savolitinib monotherapy	National Cancer Institute	MET-driven mCRC	U.S. (33)	II	Enrolling. Started in July 2018.	NCT03592641

Note:

(1) Expected maximum number of sites.

Phase II study of savolitinib monotherapy in mCRC (Status: enrolling; NCT03592641)

This study is sponsored by the National Cancer Institute and targets to screen up to 150 patients in order to enroll approximately 15 patients with MET amplified mCRC. The primary objective of the study is ORR. Secondary objectives include additional measures of clinical efficacy, safety and tolerability.

Partnership with AstraZeneca

In December 2011, we entered into a global licensing, co-development and commercialization agreement for savolitinib with AstraZeneca. As noted above, given the complexity of many of the signal transduction pathways and resistance mechanisms in oncology, the industry is increasingly studying combinations of targeted therapies (tyrosine kinase inhibitors, monoclonal antibodies and immunotherapies) and chemotherapy as potentially the best approach to treating this complex and constantly mutating disease. Based on savolitinib showing early clinical benefit as a highly selective MET inhibitor in a number of cancers, in August 2016 and December 2020 we and AstraZeneca amended our global licensing, co-development and commercialization agreement for savolitinib. We believe that AstraZeneca's portfolio of proprietary targeted therapies is well suited to be used in combinations with savolitinib, and we are studying combinations with Tagrisso (EGFRm+, T790M+) and Imfinzi (PD-L1). These combinations of multiple global first-in-class compounds are difficult to replicate, and we believe represent a significant opportunity for us and AstraZeneca.

For more information regarding our partnership with AstraZeneca, see "– *Overview of Our Collaborations – AstraZeneca.*"

2. Surufatinib VEGFR 1, 2 and 3, FGFR1 and CSF-1R Inhibitor

Surufatinib is an oral small molecule angio-immuno kinase inhibitor targeting VEGFR and FGFR, which both inhibit angiogenesis, and CSF-1R, which regulates tumor-associated macrophages, promoting the body's immune response against tumor cells. Its unique angio-immuno kinase profile could help improve the anti-tumor activity of PD-1 antibodies.

Surufatinib is the first oncology medicine that we have taken through proof-of-concept in China and expanded globally ourselves. Surufatinib is in proof-of-concept clinical trials in the United States, successfully completed two late-stage clinical trials, is in further late-stage clinical trials in China and is expected to start late-stage trials in the United States and Europe as a monotherapy. Furthermore, it is being investigated in combination with PD-1 inhibitors.

Surufatinib was approved by the NMPA in December 2020 for the treatment of non-pancreatic NETs and is now being marketed in China under the brand name Sulanda.

Mechanism of Action

Both VEGFR and FGFR signaling pathways can mediate tumor angiogenesis. CSF-1R plays an important role in the functions of macrophages. Recently, the roles in increasing tumor immune evasion of VEGFR, FGFR in regulation of T cells, tumor-associated macrophages and myeloid-derived suppressor cells have been demonstrated. Therefore, blockade of tumor angiogenesis and tumor immune evasion by simultaneously targeting VEGFR 1, 2 and 3, FGFR1 and CSF-1R kinases may represent a promising approach for oncology therapy. See "*Business – Our Clinical Pipeline – 3. Fruquintinib VEGFR 1, 2 and 3 Inhibitor – Mechanism of Action*", "*Industry Overview – Overview of Molecular Targets and Market Landscape – VEGFR Pathway – Overview of VEGFR inhibitors", "– FGFR Pathway – Overview of FGFR inhibitors" and "– CSF-1R Pathway – Overview of CSF-1R inhibitors*" for more information.

Surufatinib Pre-clinical Evidence

Surufatinib inhibited VEGFR 1, 2, and 3, FGFR1 and CSF-1R kinases with IC_{50} in a range of 1 nM to 24 nM. It also strongly blocked VEGF-induced VEGFR2 phosphorylation in HEK293 cells and CSF-1R phosphorylation in RAW264.7 cells with an IC_{50} of 2 nM and 79 nM, respectively. Surufatinib also reduced VEGF- or FGF-stimulated human umbilical vein endothelial cell proliferation with an $IC_{50} < 50$ nM. In animal studies, a single oral dose of surufatinib inhibited VEGF-stimulated VEGFR2 phosphorylation in lung tissues of nude mice in an exposure-dependent manner. Furthermore, elevation of FGF23 levels in plasma 24 hours post dosing suggested suppression of FGFR signaling.

Surufatinib demonstrated potent tumor growth inhibition in multiple human xenograft models and decreased cluster of differentiation 31 expression remarkably, suggesting strong inhibition on angiogenesis through VEGFR and FGFR signaling. In a syngeneic murine colon cancer model, surufatinib demonstrated moderate tumor growth inhibition after single-agent treatment. Flow cytometry and immunohistochemistry analysis revealed an increase of certain T cells and a significant reduction in certain tumor-associated macrophages, including CSF-1R mutation positive tumor-associated macrophages in tumor tissue, indicating surufatinib has a strong effect on CSF-1R. Interestingly, a combination of surufatinib with a PD-L1 antibody resulted in enhanced anti-tumor effect. These results suggested that surufatinib has a strong effect in modulating angiogenesis and cancer immunity.

Surufatinib Clinical Trials

We currently have various clinical trials of surufatinib ongoing or expected to begin in the near term in patients with NETs and BTC, and in combination with checkpoint inhibitors.

Neuroendocrine Tumors

NETs begin in the specialized cells of the body's neuroendocrine system. Cells have traits of both hormone-producing endocrine cells and nerve cells. NETs are found throughout the body's organ system and have complex and fragmented epidemiology with about 65-75% of NETs originating in the gastrointestinal tract and pancreas, 25-35% in the lung or bronchus, and a further 20%-30% in other organs or unknown origins.

In China, there were about 71,300 newly diagnosed NET patients in 2020. While no China prevalence data exists, according to Frost & Sullivan, there could be over 300,000 patients living with the disease.

NETs can be functional, releasing hormones and peptides that cause symptoms like diarrhea and flushing, or non-functional with no symptoms. Early-stage NETs, which are often functional, can be treated with somatostatin analogue subcutaneous injections, which are approved and reimbursed in China and alleviate symptoms and slow NET growth, but have limited tumor reduction efficacy.

Advanced NETs grow more quickly. In China, Sutent is approved in pancreatic NET while Afinitor, an m-TOR inhibitor, is approved in non-functional neuroendocrine tumors in the pancreas, lung and gastrointestinal tract. These approvals, however, cover only about half of advanced NET patients.

The table below shows a summary of the clinical trials that we have completed or are in planning for surufatinib in neuroendocrine cancer patients. Our Phase Ib study in planning for the United States and Europe will also include expansion cohorts to explore surufatinib in patients with BTC and sarcoma.

Clinical Trials of Surufatinib in NETs

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Surufatinib monotherapy	HUTCHMED	SANET-ep: Non-pancreatic NET	China (24)	III	Approved; launched in 2021	NCT02588170
Surufatinib monotherapy	HUTCHMED	SANET-p: Pancreatic NET	China (21)	III	Met primary endpoint; NDA accepted (Sept 2020)	NCT02589821
Surufatinib monotherapy[(2)]	HUTCHMED	NETs	U.S. (16)	Ib	NDA rolling submission completed in April 2021	NCT02549937
Surufatinib monotherapy	HUTCHMED	NETs	Europe (N/A)	Ib	Expect to file MAA in mid-2021	N/A

Notes:

(1) Expected maximum number of sites.

(2) FDA granted surufatinib orphan drug designation for the treatment of pancreatic NETs in November 2019 and Fast Track Designation for our pancreatic and non-pancreatic NET development programs in April 2020.

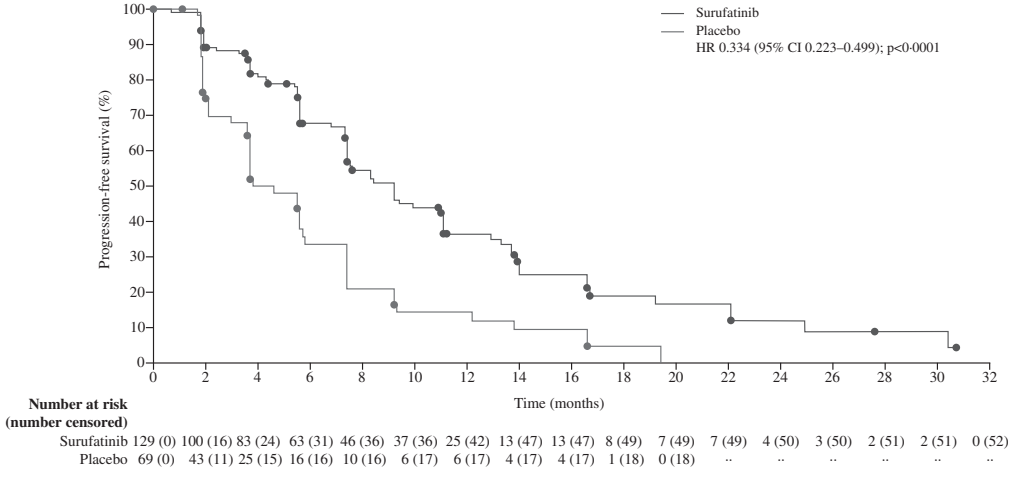
NET = neuroendocrine tumor; BTC = biliary tract cancer; and MAA = marketing authorization application.

SANET-ep study: Phase III study of surufatinib monotherapy in non-pancreatic NETs (Status: completed and product launched in China in January 2021; NCT02588170)

In 2015, we initiated the SANET-ep study, which is a Phase III study in China in patients with grade 1 and 2 advanced non-pancreatic NETs. In this study, patients were randomized at a 2:1 ratio to receive either an oral dose of 300 mg of surufatinib or a placebo once daily on a 28-day treatment cycle. The primary endpoint was PFS, with secondary endpoints including ORR, disease control rate, time to response, duration of response, OS, safety and tolerability.

A 198-patient interim analysis was conducted on SANET-ep in mid-2019, leading the IDMC, to determine that it had met the pre-defined primary endpoint of PFS and should be stopped early. The positive results of this trial were highlighted in an oral presentation at the 2019 European Society for Medical Oncology Congress, and subsequently published in The Lancet Oncology in September 2020. Median PFS per investigator assessment was 9.2 months for patients treated with surufatinib, as compared to 3.8 months for patients in the placebo group (HR 0.334; 95% CI: 0.223, 0.499; p<0.0001). Efficacy was also supported by a blinded independent image review committee assessment. Surufatinib was well-tolerated in this study and the safety profile was consistent with observations in prior clinical studies. CTC grade 3 or above TEAEs in this study with greater than 5% incidence were hypertension (36%), proteinuria (19%) and anemia (7%).

SANET-ep Clearly Succeeded in Meeting Primary Endpoint of PFS



Notes: P-value is obtained from the stratified one-sided log-rank test; Hazard ratio is obtained from stratified Cox model; CI = confidence interval; and HR = hazard ratio.

Source: Xu J, Shen L, Zhou Z, et al. Surufatinib in advanced extrapancreatic neuroendocrine tumours (SANET-ep): a randomised, double-blind, placebo-controlled, phase 3 study. Lancet Oncol. 2020;21(11):1500-1512. doi:10.1016/S1470-2045(20)30496-4.

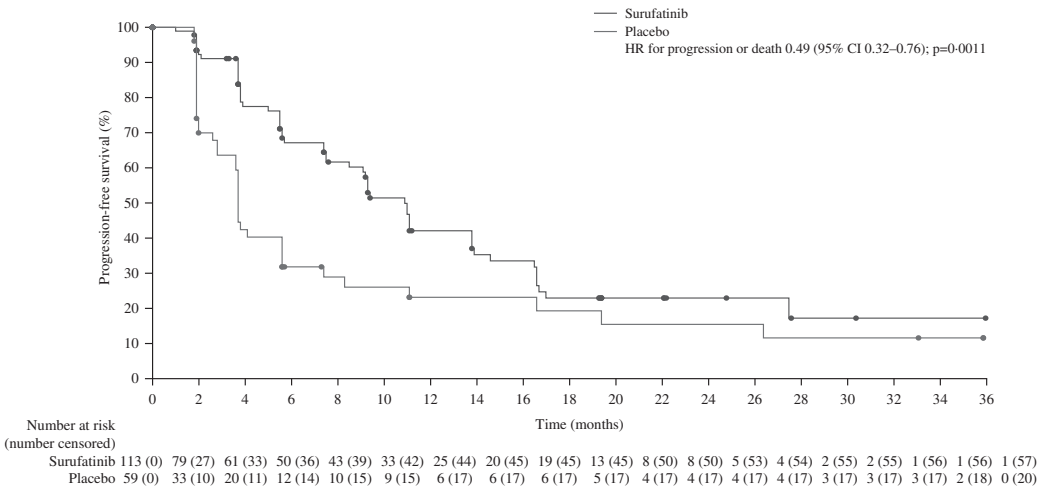
In late 2020, surufatinib was granted approval for drug registration by the NMPA for the treatment of non-pancreatic NET, followed by launch in mid-January 2021 within three weeks of approval. We believe the benefit of surufatinib as a monotherapy to patients with non-pancreatic NETs in China could be significant as compared to the minimal treatment alternatives currently available to them.

SANET-p study: Phase III study of surufatinib monotherapy in pancreatic NETs (Status: met primary endpoint early; NDA accepted in September 2020; NCT02589821)

In 2016, we initiated the SANET-p study, which is a Phase III study in China in patients with low- or intermediate-grade, advanced pancreatic NETs. In this study, patients are randomized at a 2:1 ratio to receive either an oral dose of 300 mg of surufatinib or a placebo once daily on a 28-day treatment cycle. The primary endpoint is PFS, with secondary endpoints including ORR, disease control rate, time to response, duration of response, OS, safety and tolerability.

In early 2020, an interim analysis was conducted on SANET-p, leading the IDMC to recommend that the study stop early as the pre-defined primary endpoint of PFS had already been met. Investigator-assessed median PFS was 10.9 months for patients treated with surufatinib, as compared to 3.7 months for patients in the placebo group (HR 0.491; 95% CI: 0.319-0.755; p=0.0011). ORRs were 19.2% for the efficacy evaluable patients in the surufatinib group versus 1.9% for the placebo group, with a DCR of 80.8% versus 66.0%, respectively. Most patients in the trial had Grade 2 disease with heavy tumor burden, including liver metastasis and multiple organ involvement. Efficacy was also supported by blinded independent image review committee assessment, with a median PFS of 13.9 months for surufatinib as compared to 4.6 months for placebo (HR 0.339; 95% CI 0.209-0.549; p<0.0001). The safety profile of surufatinib was manageable and consistent with observations in prior studies. Treatment was well tolerated for most patients, with discontinuation rates as a result of TEAEs of 10.6% in the surufatinib group as compared to 6.8% in the placebo group. CTC grade 3 or above TEAEs in this study with greater than 5% incidence were hypertension (38%), proteinuria (10%) and hypertriglyceridemia (7%).

SANET-p Clearly Succeeded in Meeting Primary Endpoint of PFS



Notes: P-value is obtained from the stratified one-sided log-rank test; Hazard ratio is obtained from stratified Cox model; CI = confidence interval; and HR = hazard ratio.

Source: Xu J, Shen L, Bai C, et al. Surufatinib in advanced pancreatic neuroendocrine tumours (SANET-p): a randomised, double-blind, placebo-controlled, phase 3 study. Lancet Oncol. 2020;21(11):1489-1499. doi:10.1016/S1470-2045(20)30493-9.

Following the success of SANET-p, a second NDA was filed and accepted by the NMPA in September 2020. We believe the benefits of surufatinib as a monotherapy to the approximately 23,400 new patients with pancreatic NETs in China in 2018 could be significant as compared to the treatment alternatives currently available to them.

The positive SANET-ep and SANET-p Phase III studies now position surufatinib to potentially be approved in the full spectrum of advanced-NET disease in China. We believe that no other approved targeted therapy can address and treat all subtypes of NETs.

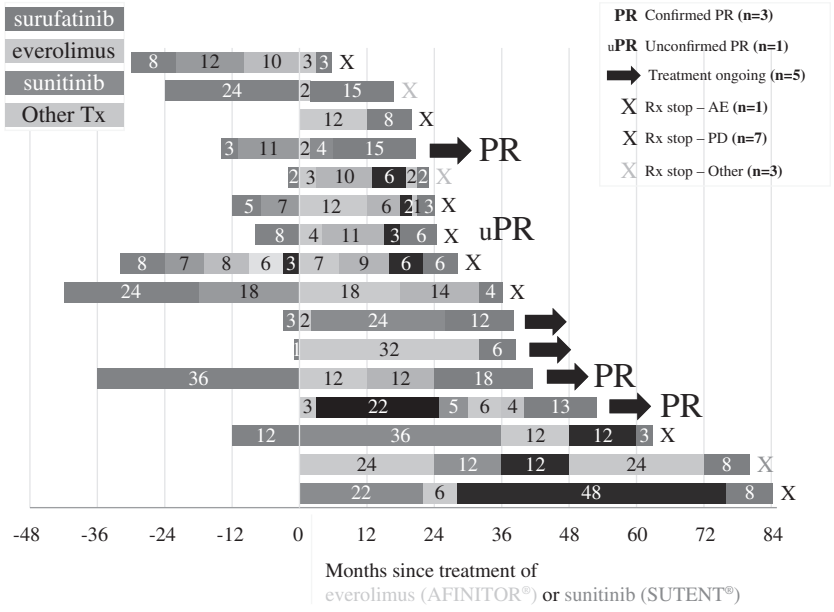
Phase Ib study of surufatinib monotherapy in heavily pretreated progressive NETs (Status: ongoing; NCT02549937)

We are conducting a multi-center, open-label, Phase Ib clinical study to evaluate the safety, tolerability and pharmacokinetics of surufatinib in U.S. patients, which has established the U.S. RP2D to be 300 mg, the same as that in China. At ASCO 2021, preliminary data presented from the two NET cohorts in the ongoing U.S. Phase Ib trial for surufatinib demonstrated efficacy comparable to China data in heavily pretreated patients, including Afinitor and Sutent, with pancreatic or non-pancreatic NETs. The safety profile was also consistent with the larger pool of surufatinib safety data. As of June 30, 2020, 16 patients with pancreatic NET were treated for a median of 8.5 months (range 2-23) and 16 patients with non-pancreatic NET were treated for a median of 8 months (range of 2-15). All 32 patients have pretreated progressive NETs (median prior lines of treatment: 3; range 1-8). Confirmed response was observed in 18.8% of pancreatic NET and disease control was observed in 87.5%

of patients. In the non-pancreatic NET cohort confirmed response was observed in 6.3% of the patients and disease control was observed in 93.8% of patients. Median PFS was 11.5 months for patients in both cohorts (95% confidence interval: 6.5-17.5).

The FDA granted surufatinib orphan drug designation for the treatment of pancreatic NETs in November 2019 and Fast Track Designations for our pancreatic and non-pancreatic NET development programs in April 2020. In December 2020, we initiated the filing of an NDA to the U.S. FDA – the first portion of a rolling submission for surufatinib for the treatment of pancreatic and non-pancreatic NET. We completed the NDA submission in April 2021, which is our first NDA in the U.S. Filing acceptance of the NDA is subject to FDA review of the complete application. We also plan to file a MAA to the EMA in mid-2021, based on scientific advice from the EMA's Committee for Medicinal Products for Human Use (CHMP).

US Phase Ib: Encouraging Preliminary Efficacy in Afinitor and Sutent Refractory/Intolerant NET Patients



Notes: Data cut-off as of April 21, 2020. PR = partial response; AE = adverse event; PD = progressive disease; Rx = treatment; Tx = treatment; and n = number of patients.

Source: Dasari, et al. Efficacy and safety of surufatinib in United States (US) patients (pts) with neuroendocrine tumors (NETs). Journal of Clinical Oncology 2020 38:15_suppl, 4610-4610.

Biliary Tract Cancer

BTC (also known as cholangiocarcinoma) is a heterogeneous group of rare malignancies arising from the biliary tract epithelia. Gemzar, a type of chemotherapy, is the currently approved first-line therapy for BTC patients, with median survival of less than 12 months for patients with unresectable or metastatic disease at diagnosis. As a result, this is an unmet

medical need for patients who have progressed on chemotherapy. There is currently no standard of care for these patients. Surufatinib may offer a new targeted treatment option in this tumor type. The table below shows a summary of the clinical studies that we have underway for surufatinib in BTC patients.

Clinical Trials of Surufatinib in BTC

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Surufatinib monotherapy	HUTCHMED	Chemotherapy refractory BTC	China (5)	Ib/II	Enrollment complete. Supported progressing in Phase IIb/III	NCT02966821
Surufatinib monotherapy	HUTCHMED	Chemotherapy refractory BTC	China (26)	IIb/III	Ongoing Expect to conduct interim analysis in 2021	NCT03873532
Surufatinib monotherapy	HUTCHMED	BTC and soft tissue sarcoma	U.S. (16)	Ib	Ongoing. BTC cohort opened in April 2018. Sarcoma cohort opened in Oct 2019.	NCT02549937

Notes:

(1) Expected maximum number of sites.

Chemotherapy refractory = resistant to prior chemotherapy treatment; and BTC = biliary tract cancer.

Phase Ib/II surufatinib monotherapy in chemotherapy refractory BTC – China (Status: enrollment complete; NCT02966821)

In early 2017, we began a Phase Ib/II proof-of-concept study in patients with BTC. Preliminary efficacy led us to begin the Phase II/III study discussed below.

At ASCO 2021, results of this study were disclosed. Surufatinib demonstrated moderate efficacy and favorable tolerability profile.

After 16 weeks of treatment, 46% of the patients did not experience progression of their disease. Median PFS was 3.7 months and median OS was 6.9 months. The most common Grade 3 or higher TRAEs were blood bilirubin increase (21%), hypertension (18%), and proteinuria (13%).

Phase IIb/III study of surufatinib monotherapy in second line BTC – China (Status: ongoing; NCT03873532)

In March 2019, based on preliminary Phase Ib/IIa data, we initiated a registration-intent Phase IIb/III study comparing surufatinib with capecitabine in patients with unresectable or metastatic BTC whose disease progressed on after first-line chemotherapy. The primary

endpoint is OS. Enrollment for the BTC monotherapy Phase II portion (80 patients) was completed in 2020, and we expect to conduct an interim analysis for futility in 2021 when OS data are mature. The interim analysis will inform the Phase III study decision.

Surufatinib Combinations with Checkpoint Inhibitors

Surufatinib's ability to inhibit angiogenesis, block the accumulation of tumor associated macrophages and promote infiltration of effector T cells into tumors, could help improve the anti-tumor activity of PD-1 antibodies.

The table below shows a summary of the clinical trials that we have underway or in planning for surufatinib in combination with checkpoint inhibitors.

Clinical Trials of Surufatinib with Checkpoint Inhibitors

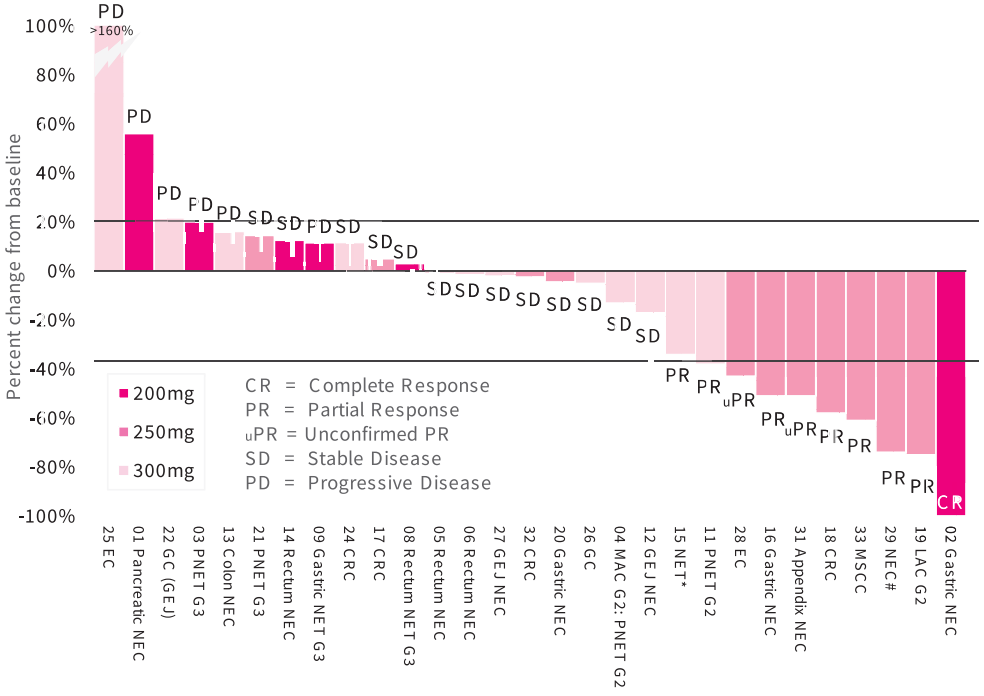
Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Neuroendocrine neoplasms	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	BTC	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Gastric cancer	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Thyroid cancer	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Small cell lung cancer	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Soft tissue sarcoma	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Endometrial cancer	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	Esophageal cancer	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tuoyi (PD-1)	HUTCHMED and Junshi	NSCLC	China (16)	II	Ongoing. Started in December 2019.	NCT04169672
Surufatinib and Tyvyt (PD-1)	Innovent and HUTCHMED	Solid tumors	China (1)	I	Ongoing Started in July 2020	NCT04427774
Surufatinib and tislelizumab (PD-1)	HUTCHMED and BeiGene	Solid tumors	U.S./Europe (24)	Ib/II	Ongoing First patient dosed in March 2021	NCT04579757

Note:

(1) Expected maximum number of sites.

In late 2018, we entered into a global collaboration with Junshi to evaluate the combination of surufatinib with Tuoyi. We completed a Phase I dose-finding study and presented the data at the AACR Conference in April 2020. The data showed that surufatinib plus Tuoyi were well tolerated with no unexpected safety signals observed. At the recommend Phase 2 dose, a DCR of 100% and ORR of 63.6% were reported for 11 efficacy evaluable patients, with 2 unconfirmed partial responses. Surufatinib plus Tuoyi showed encouraging antitumor activity in patients with advanced solid tumors. A Phase II China study is enrolling patients in nine solid tumor indications, including neuroendocrine neoplasms, BTC, gastric cancer, thyroid cancer, small cell lung cancer, soft tissue sarcoma, endometrial cancer, esophageal cancer and NSCLC.

Phase I Dose Finding Study: Encouraging Anti-Tumor Efficacy for Surufatinib Combined with the anti-PD-1 Antibody Tuoyi in G3 NET/NEC Patients



Notes: RP2D: Recommended Phase 2 Dose. NET/NEN: neuroendocrine tumor/neoplasm; NEC: neuroendocrine carcinoma; CRC: colorectal carcinoma; GC: gastric adenocarcinoma; EC: esophageal squamous cell carcinoma; GEJ: gastroesophageal junction; MAC G2: mediastinal atypical carcinoid; PNET G2: Pancreas NET G2; MSCC: metastatic squamous cell carcinoma with unknown primary; NSCLC: non-small cell lung cancer; LAC: Lung atypical carcinoid; *: Left supraclavicular lymph node neuroendocrine tumor; #: Merkel cell carcinoma.

Source: Cao Y, et al. "A phase I trial of surufatinib plus toripalimab in patients with advanced solid tumors." Presented at American Association for Cancer Research (AACR) Virtual Annual Meeting I on April 27, 2020.

At ASCO 2021, encouraging preliminary data were disclosed for the surufatinib and Tuoyi combination in the neuroendocrine carcinoma (NEC) and gastric cancer (GC) cohorts.

For the 20 patients in the NEC cohort who received an average of 5 cycles of treatments and are efficacy evaluable, ORR was 20% while DCR was 70%. Median PFS was 3.9 months (95% confidence interval: 1.3-NR). Grade 3 or higher TRAEs occurred in 33% of patients. We are preparing to initiate a Phase III study in 2L or above NEC.

Median duration of treatment for the GC cohort was 3 months, with 15 patients efficacy evaluable at the time of the analysis. For these 15 patients, confirmed ORR was 13% and an additional 20% of patients had unconfirmed OR. DCR was 73% and median PFS was 3.7 months (95% confidence interval: 1.4-NR). Grade 3 or higher TRAEs occurred in 14% of patients. Registration design for GC is under discussion.

In late 2019, we expanded our global collaboration agreement with Innovent to evaluate the safety and efficacy of Tyvyt in combination with surufatinib, and in July 2020, started a Phase I study in China to evaluate the safety and efficacy of the combination.

In addition, in May 2020, we entered into a global clinical collaboration agreement to evaluate the safety, tolerability and efficacy of combining surufatinib with BeiGene's anti-PD-1 antibody, tislelizumab, for the treatment of various solid tumor cancers in the United States, Europe, China and Australia. In March 2021, we dosed the first patient in an open-label, Phase Ib/II study of surufatinib in combination with tislelizumab in the United States and Europe, evaluating the safety, tolerability, pharmacokinetics and efficacy in patients with advanced solid tumors, including CRC, NET, small cell lung cancer, gastric cancer and soft tissue sarcoma.

Surufatinib Exploratory Development

We are conducting multiple Phase Ib expansion cohorts in the United States to explore the use of surufatinib in BTC and soft tissue sarcoma. In China, we intend to initiate multiple exploratory studies, both as a single agent and in combinations, to evaluate the efficacy of surufatinib. We are also supporting dozens of investigator-initiated studies in various tumor settings.

3. Fruquintinib VEGFR 1, 2 and 3 Inhibitor

Fruquintinib (also known as HMPL-013) is a VEGFR inhibitor that we believe is highly differentiated due to its superior kinase selectivity compared to other small molecule VEGFR inhibitors, which can be prone to excessive off-target toxicities. Fruquintinib's selectivity on VEGFR 1, 2 and 3 results in fewer off-target toxicities, thereby allowing for better target coverage, as well as possible use in combination with other agents such as chemotherapies, targeted therapies and immunotherapies.

We believe these are meaningful points of differentiation compared to other approved small molecule VEGFR inhibitors such as Sutent, Nexavar and Stivarga, and can potentially significantly expand the use and market potential of fruquintinib. Consequently, we believe that fruquintinib has the potential to become a global small molecule VEGFR inhibitor with the best selectivity for many types of solid tumors.

We received full approval for launch of fruquintinib (under the brand name Elunate) in CRC in September 2018. In partnership with Eli Lilly, we launched fruquintinib in China in late November 2018. Elunate is indicated for the treatment of patients with mCRC that have been previously treated with fluoropyrimidine, oxaliplatin and irinotecan, including those who have previously received anti-VEGF therapy and/or anti-EGFR therapy (Ras wild type). We manufacture all commercial supplies of Elunate in our factory in Suzhou and have expanded our role in the commercialization of Elunate since October 1, 2020. For more information regarding the Elunate product launch, see "– *Overview of Elunate Commercial Launch*."

Mechanism of Action

During the development of cancer, tumors at an advanced stage can secrete large amounts of VEGF, a protein ligand, to stimulate formation of excessive vasculature (angiogenesis) around the tumor in order to provide greater blood flow, oxygen, and nutrients to fuel the rapid growth of the tumor. Since essentially all solid tumors require angiogenesis to progress beyond a few millimeters in diameter, VEGFR drugs have demonstrated benefits in a wide variety of tumor types. VEGF and other ligands can bind to three VEGF receptors, VEGFR 1, 2 and 3, each of which has been shown to play a role in angiogenesis. Therefore, inhibition of the VEGF/VEGFR signaling pathway can act to stop the growth of the vasculature around the tumor and thereby starve the tumor of the nutrients and oxygen it needs to grow rapidly.

This therapeutic strategy has been well validated with several first-generation VEGF inhibitors having been approved globally since 2005 and 2006. These include both small molecule multi-kinase inhibitor drugs such as Nexavar and Sutent as well as monoclonal antibodies such as Avastin. The success of these drugs validated VEGFR inhibition as a new class of therapy for the treatment of cancer.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – VEGFR Pathway – Overview of VEGFR inhibitors*" for more details.

Fruquintinib Pre-clinical Evidence

Pre-clinical trials have demonstrated that fruquintinib is a highly selective VEGFR 1, 2 and 3 inhibitor with high potency and low cell toxicity at the enzymatic and cellular levels. In a kinase selectivity screening, fruquintinib was found to be approximately 250 times more selective to VEGFR 3 than to the next non-VEGFR kinase.

As a result of off-target side effects, existing VEGFR inhibitors are often unable to be dosed high enough to completely inhibit VEGFR, the intended target. In addition, the complex off-target toxicities resulting from inhibition of multiple signaling pathways are often difficult to manage in clinical practice. Combining such drugs with chemotherapy can lead to severe toxicities that can cause more harm than benefit to patients. To date, the first-generation VEGFR tyrosine kinase inhibitors have been rarely used in combination with other therapies, thereby limiting their potential. Because of the potency and selectivity of fruquintinib, we believe that it has the potential to be safely combined with other oncology drugs, which could significantly expand its clinical potential.

Fruquintinib Clinical Trials

Colorectal Cancer

The table below shows a summary of the clinical trials we have recently completed, are underway or are in planning for fruquintinib in CRC patients. We have two additional trials in progress for fruquintinib in CRC in combination with a checkpoint inhibitor as discussed in more detail below under "– *Fruquintinib Combinations with Checkpoint Inhibitors*."

Current Clinical Trials of Fruquintinib in CRC

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Fruquintinib monotherapy	HUTCHMED and Eli Lilly	FRESCO:3L CRC; chemotherapy refractory	China (28)	III	Approved; launched in November 2018	NCT02314819
Fruquintinib monotherapy[(2)]	HUTCHMED	FRESCO-2: mCRC	U.S./Europe/ Japan (expected to be 165 sites)	III	Ongoing Enrollment targeted to complete in late 2021	NCT04322539
Fruquintinib monotherapy	HUTCHMED	CRC, TN & HR+/HER2- breast cancer	U.S. (9)	Ib	Ongoing. CRC expansion cohort opened in March 2019. BC cohorts opened in Jan 2020.	NCT03251378

Notes:

(1) Expected maximum number of sites.

(2) The FDA granted Fast Track Designation for the development of fruquintinib for the treatment of patients with mCRC in June 2020.

CRC = colorectal cancer; >3L = third line or above; refractory = resistant to prior treatment; TN = triple-negative; HR+ = hormone receptor-positive; and HER2 = human epidermal growth factor receptor 2.

FRESCO study: Phase III study of fruquintinib monotherapy in third-line CRC (Status: completed and product launched in November 2018; NCT02314819)

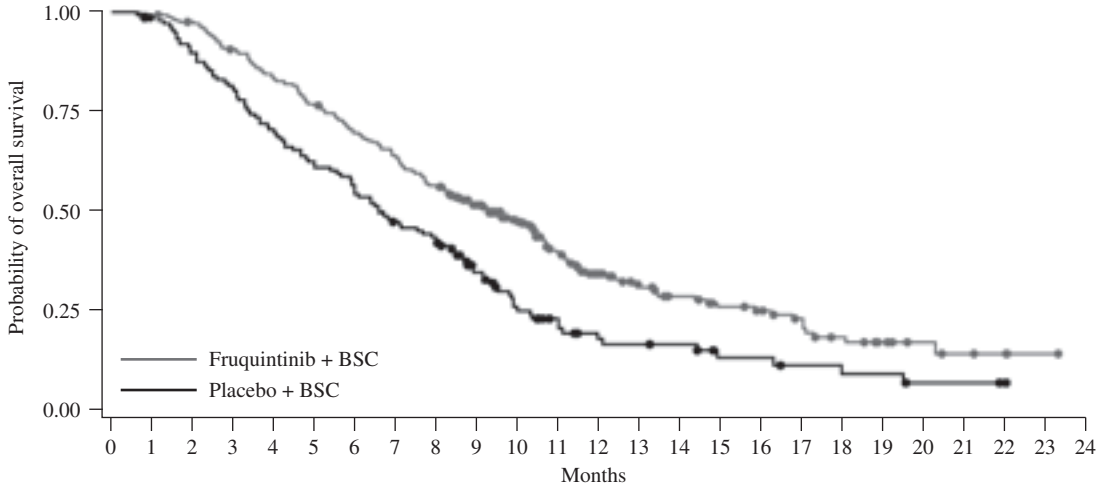
In 2014, we initiated the FRESCO study, which is a randomized, double-blind, placebo-controlled, multi-center, Phase III pivotal trial in China in patients with locally advanced or mCRC who had failed at least two prior systemic antineoplastic therapies, including fluoropyrimidine, Eloxatin and Camptosar. No drugs had been approved in third-line CRC in China with best supportive care being the general standard of care. This study followed a Phase II proof-of-concept trial in third-line CRC that met its primary endpoint of PFS in 2014.

Enrollment was completed in May 2016, and 519 patients were screened. The intent-to-treat population of 416 patients was randomized at a 2:1 ratio to receive either 5 mg of fruquintinib orally once daily, on a three-weeks-on/one-week-off cycle, plus best supportive care (278 patients) or placebo plus best supportive care (138 patients). Randomization was stratified for prior anti-VEGF therapy and K-RAS gene status. The trial concluded in January 2017.

In June 2017, we presented the results of the FRESCO study in an oral presentation during the ASCO Annual Meeting. Results showed that FRESCO met all primary and secondary endpoints including significant improvements in OS and PFS with a manageable safety profile and lower off-target toxicities compared to other targeted therapies.

The primary endpoint of median OS was 9.30 months (95% confidence interval: 8.18-10.45 months) in the fruquintinib group versus 6.57 months (95% confidence interval: 5.88-8.11 months) in the placebo group, with a hazard ratio of 0.65 (95% confidence interval: 0.51-0.83; two-sided p<0.001).

Phase III Study in China of Fruquintinib Monotherapy in Third-line CRC
FRESCO Clearly Succeeded in Meeting the Primary Efficacy Endpoint of Overall Survival

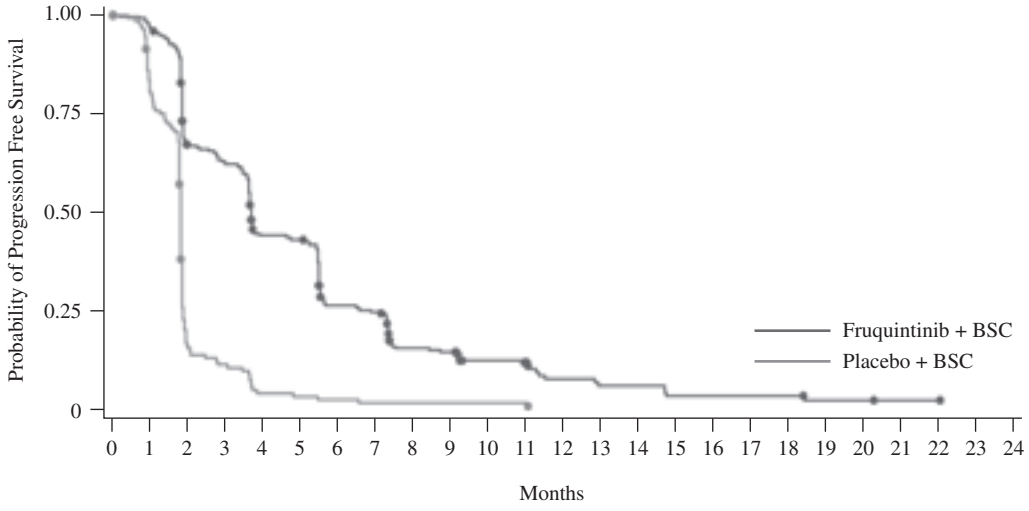


Notes: N = number of patients; BSC = best supportive care; 95% CI = 95% confidence interval; and HR = hazard ratio.

Source: Li J, Qin S, Xu RH, et al. Effect of Fruquintinib vs Placebo on Overall Survival in Patients With Previously Treated Metastatic Colorectal Cancer: The FRESCO Randomized Clinical Trial. JAMA. 2018;319(24):2486 2496. doi:10.1001/jama.2018.7855.

The secondary endpoint of median PFS was 3.71 months (95% confidence interval: 3.65-4.63 months) in the fruquintinib group versus 1.84 months (95% confidence interval: 1.81-1.84 months) in the placebo group, with a hazard ratio of 0.26 (95% confidence interval: 0.21-0.34; two-sided p<0.001). Significant benefits were also seen in other secondary endpoints. The disease control rate in the fruquintinib group was 62% versus 12% for placebo (p<0.001), while the ORR based on confirmed responses was 5% versus 0% for placebo (p=0.012).

FRESCO Clearly Succeeded in Meeting Endpoint of PFS



Note: BSC = best supportive care.

Source: Li J, Qin S, Xu RH, et al. Effect of Fruquintinib vs Placebo on Overall Survival in Patients With Previously Treated Metastatic Colorectal Cancer: The FRESCO Randomized Clinical Trial. JAMA. 2018;319(24):2486-2496. doi:10.1001/jama.2018.7855.

We have not performed a head-to-head clinical trial of fruquintinib versus Stivarga. While it is difficult to directly evaluate and compare clinical results across separate trials, data from the FRESCO study compare favorably to the data from the CONCUR study, a Phase III study of Stivarga monotherapy in CRC conducted in Asia, and the CORRECT study, a global Phase III study of Stivarga in CRC. In particular, in the Chinese patient subgroup of the CONCUR study, Stivarga had a disease control rate of 46% versus 7% in the placebo group. Median PFS was 2.0 months in the Stivarga group versus 1.7 months in the placebo group, and median OS was 8.4 months in the Stivarga group versus 6.2 months in the placebo group. In the CORRECT study, Stivarga had a disease control rate of 41% versus 15% in the placebo group. Median PFS was 1.9 months in the Stivarga group versus 1.7 months for the placebo group, and median OS was 6.4 months in the Stivarga group versus 5.0 months in the placebo group.

In terms of safety, results showed that fruquintinib had a manageable safety profile with lower off-target toxicities compared to Stivarga, the other VEGFR tyrosine kinase inhibitor approved for third-line CRC. Of particular interest was that the CTC grade 3 or above hepatotoxicity was similar for the fruquintinib group as compared to the placebo group, which

was in contrast to Stivarga which was markedly higher and often difficult to manage in the Chinese patient population in the CONCUR study. Adverse events led to dose interruptions in 69% of patients in the Chinese patient subgroup of the CONCUR study, compared to 35% in the FRESCO study. The most frequently reported fruquintinib-related CTC grade 3 or above TEAEs included hypertension (21%), hand-foot skin reaction (11%), proteinuria (3%) and diarrhea (3%), all possibly associated with VEGFR inhibition. No other CTC grade 3 or above TEAEs exceeded 2% in the fruquintinib population, including hepatic function adverse events such as elevations in bilirubin (1%), alanine aminotransferase (<1%) or aspartate aminotransferase (<1%).

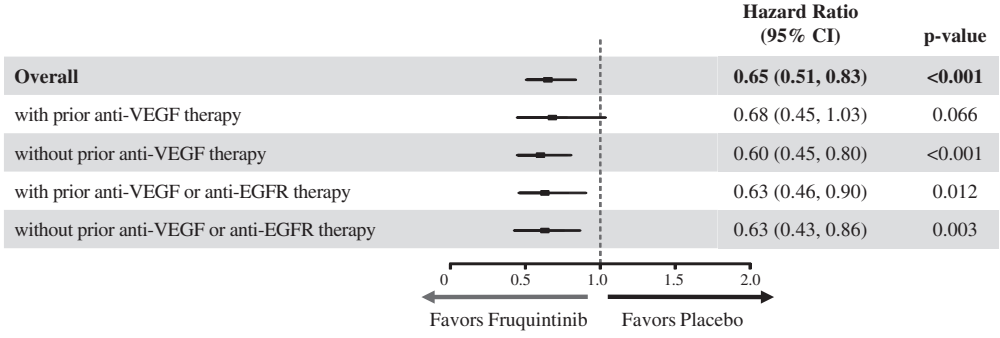
In terms of tolerability, dose interruptions or reductions occurred in only 35% and 24% of patients in the fruquintinib arm, respectively, and only 15% of patients discontinued treatment of fruquintinib due to adverse events versus 6% for placebo. The FRESCO study was published in the Journal of the American Medical Association in June 2018.

Subgroup analysis

In June 2018, a further subgroup analysis of data from the FRESCO Phase III study was presented during the ASCO Annual Meeting. This analysis explored possible effects of prior target therapy on the efficacy and safety of fruquintinib by analyzing the subgroups of patients with prior target therapy and those without prior target therapy.

Results showed that the benefits of fruquintinib were generally consistent across all subgroups. Among a total of 278 fruquintinib-treated patients, 111 had received prior target therapy while 55 of the 138 placebo-treated patients had received prior target therapy. In the prior target therapy subgroup, fruquintinib significantly prolonged OS and PFS. Median OS was 7.69 months for patients treated with fruquintinib versus 5.98 months for placebo (hazard ratio = 0.63; p = 0.012). Median PFS was 3.65 months for patients treated with fruquintinib versus 1.84 months for placebo (hazard ratio = 0.24; p < 0.001).

OS Subgroup Analysis by Prior Treatment.
Fruquintinib Demonstrated Consistent Results Across Sub-Groups



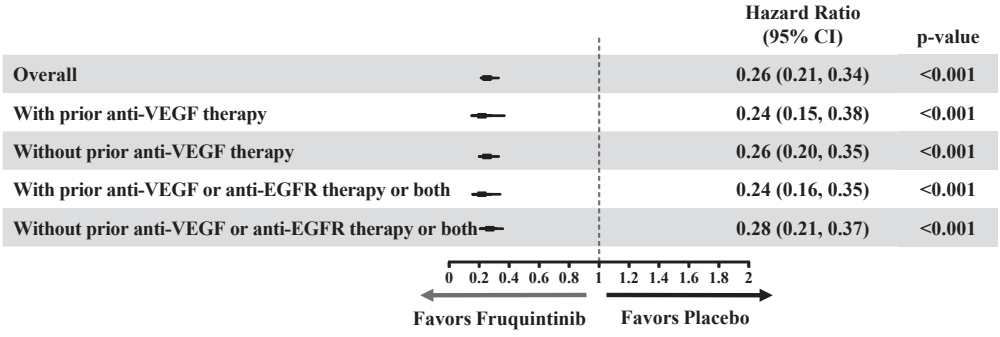
Notes: CI = confidence interval; and p-value = probability value.

Source: Xu RH, Li J, Bai YX, et al. Subgroup analysis by prior anti-VEGF or anti-EGFR target therapy in FRESCO, a randomized, double- blind, phase 3 trial comparing fruquintinib versus placebo plus best supportive care in Chinese patients with mCRC. Journal of Clinical Oncology. 2018;36:15_suppl, 3537-3537. doi:10.1200/JCO.2018.36.15_suppl.3537.

Among these 278 patients, the results showed that a subgroup of 84 patients who had received prior anti-VEGF treatment also benefited from fruquintinib. In this subgroup, the median OS was 7.20 months for fruquintinib versus 5.91 months for placebo (hazard ratio = 0.68; p=0.066) and the median PFS was 3.48 months for fruquintinib versus 1.84 months for placebo (hazard ratio = 0.24; p < 0.001).

In the subgroup of 250 patients without prior targeted therapies, the median OS was 10.35 months for 167 patients treated with fruquintinib versus 6.93 months for 83 patients treated with placebo (hazard ratio = 0.63; p = 0.003), and the median PFS for patients treated with fruquintinib was 3.81 months versus 1.84 months for placebo (hazard ratio = 0.28; p < 0.001).

PFS by Prior Therapy.
Fruquintinib Demonstrated Consistent Results Across Sub-Groups



Notes: CI = confidence interval; and p-value = probability value.

Source: Xu RH, Li J, Bai YX, et al. Subgroup analysis by prior anti-VEGF or anti-EGFR target therapy in FRESCO, a randomized, double- blind, phase 3 trial comparing fruquintinib versus placebo plus best supportive care in Chinese patients with mCRC. Journal of Clinical Oncology. 2018;36:15_suppl, 3537-3537. doi:10.1200/JCO.2018.36.15_suppl.3537.

Additional data showed that there were no observed cumulative CTC grade 3 or above TEAEs in the subgroup of patients with prior target therapy. The CTC grade 3 or above TEAEs rates of fruquintinib were similar in the subgroups with prior target therapy (61.3%) and without prior target therapy (61.1%). This subgroup analysis is consistent with the previously reported results from the FRESCO study's intent-to-treat population.

The results of this analysis showed that fruquintinib had clinically meaningful benefits in third-line mCRC patients regardless of prior target therapy without observed cumulative toxicity.

Quality-adjusted survival analysis

At the 2018 ASCO Annual Meeting, an analysis was presented that aimed to compare the quality-adjusted survival between the two arms of the FRESCO study using quality-adjusted time without symptoms or toxicity ("Q-TWiST") methodology and to investigate the Q-TWiST benefit of fruquintinib treatment among subgroups. Q-TWiST is a tool to evaluate relative clinical benefit-risk from a patient's perspective and has been widely used in oncology treatment assessment. The survival time for each patient was divided into three portions: time with CTC grade 3 or above toxicity before progression, time without symptoms or CTC grade 3 or above toxicity, and time from progression or relapse until death or end of follow-up.

Patients treated with fruquintinib had longer Q-TWiST periods compared to patients treated with placebo. Q-TWiST benefits were observed regardless of prior lines of chemotherapy and prior anti-VEGF or anti-EGFR targeted therapy. The relative improvement of Q-TWiST with fruquintinib represents a clinically important quality-of-life benefit for mCRC patients.

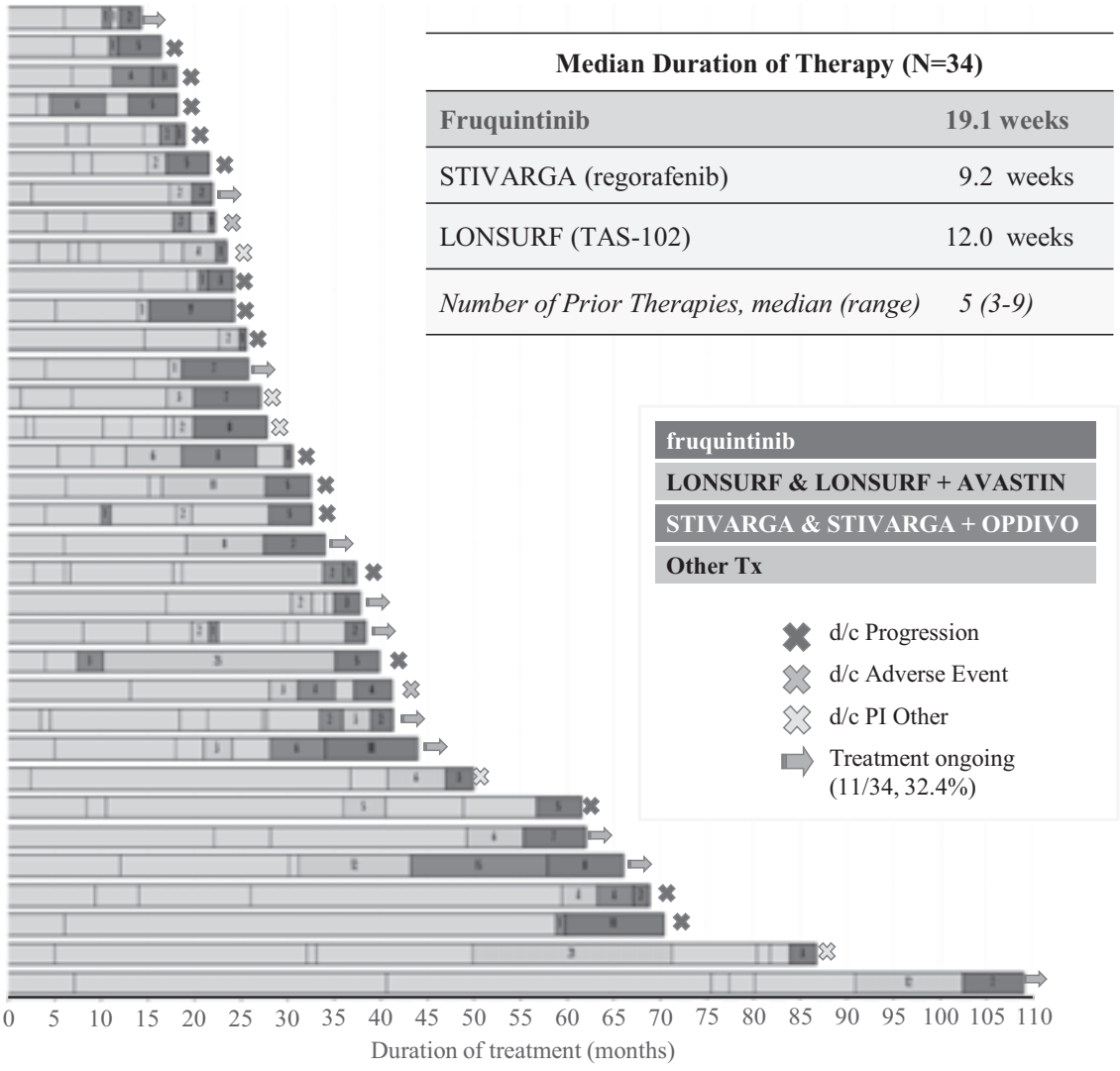
Supported by data from the successful FRESCO study, we submitted an NDA for fruquintinib in June 2017. Fruquintinib was subsequently awarded priority review status by the NMPA in view of its clinical value in September 2017, and in September 2018, the NMPA approved fruquintinib for the treatment of patients with advanced CRC and it was launched in November 2018. For more information regarding the Elunate product launch, see "– *Overview of Elunate Commercial Launch.*"

Phase Ib study of fruquintinib monotherapy in metastatic colorectal and breast cancers – U.S. (Status: enrolling; NCT03251378)

We are conducting a multi-center, open-label, Phase Ib clinical study to evaluate the safety, tolerability and pharmacokinetics of fruquintinib in U.S. patients, which has established the U.S. RP2D to be 5 mg, the same as that in China. This dose is being further evaluated in patients with mCRC and breast cancers.

Encouraging preliminary results of the U.S. Phase I/Ib study were presented at ESMO Congress 2020. As of the data cut-off in August 2020, fruquintinib was generally well-tolerated with preliminary evidence of anti-tumor activity in patients with heavily penetrated refractory mCRC. Among 34 total patients, 16 received prior Lonsurf treatment, 8 received Stivarga treatment and 10 received both Lonsurf and Stivarga treatments. The median duration of fruquintinib treatment was 19.1 weeks, higher than 12.0 weeks of Lonsurf and 9.2 weeks of Stivarga. DCR in 31 evaluable patients was 80.6%. The safety profile was consistent with that seen in the FRESCO study.

US Phase Ib: Encouraging Preliminary Efficacy in STIVARGA and LONSURF Refractory/Intolerant mCRC Patients



Notes: Data cut-off as of August 20, 2020. d/c = treatment discontinued; PI = primary inefficacy; N = number of patients; and Tx = treatment.

Source: Dasari, et al. Phase I/Ib Trial of Fruquintinib in Patients with Advanced Solid Tumors: Preliminary Results of the Dose Expansion Cohort in Refractory mCRC. ESMO 2020 Abstract #2217.

Phase III study of fruquintinib monotherapy in mCRC – Global (Status: enrolling; NCT04322539)

We initiated a global Phase III registration study, known as the FRESCO-2 study, in refractory mCRC which is expected to enroll over 680 patients from approximately 165 sites in 14 countries. The first patient was dosed in September 2020 in the United States and enrollment is targeted to complete in late 2021.

The U.S. FDA has acknowledged the totality of the fruquintinib clinical data, including the FRESCO-2 study (if positive), the prior positive Phase III FRESCO study demonstrating improvement in OS that led to fruquintinib approval for mCRC in China in 2018, and additional completed and ongoing supporting studies in mCRC, could potentially support an NDA for the treatment of patients with mCRC in the third-line setting. The EMA and PMDA have reviewed and endorsed the FRESCO-2 study design.

Gastric Cancer

Advanced gastric cancer is a major medical need, particularly in Asian populations, with limited treatment options for patients who have failed first-line standard chemotherapy with 5-fluorouracil and platinum doublets. There were approximately 469,600 new cases of gastric cancer in China in 2020. The table below shows a summary of the clinical study we have underway for fruquintinib in gastric cancer patients.

Clinical Trials of Fruquintinib in Gastric Cancer

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Fruquintinib and Taxol	HUTCHMED and Eli Lilly	FRUTIGA: 2L gastric cancer	China (36)	III	Ongoing; Completed second interim analysis	NCT03223376

Notes:

(1) Expected maximum number of sites.

2L = second line.

FRUTIGA study: Phase III study of fruquintinib in combination with Taxol in gastric cancer (second-line) (Status: first interim analysis reported; NCT03223376)

In October 2017, we initiated the FRUTIGA study, a pivotal Phase III clinical trial of fruquintinib in combination with Taxol for the treatment in advanced gastric or gastroesophageal junction adenocarcinoma patients in China. This randomized, double-blind, placebo-controlled, multi-center trial is being conducted in patients with advanced gastric cancer who have progressed after first-line standard chemotherapy. All subjects will receive fruquintinib or placebo combined with paclitaxel. Patients will be randomized at a 1:1 ratio and stratified according to factors such as stomach versus gastroesophageal junction tumors and ECOG performance status, a scale established by the Eastern Cooperative Oncology Group which determines ability of patient to tolerate therapies in serious illness, specifically for chemotherapy.

The primary efficacy endpoint is OS. Secondary efficacy endpoints include PFS, ORR, disease control rate, duration of response and quality-of-life score (EORTC QLQ-C30, version 3.0). Biomarkers related to the antitumor activity of fruquintinib will also be explored.

In June 2020, the IDMC of the FRUTIGA study completed a second planned interim data review and, based on the preset criteria, the IDMC and Joint Steering Committees recommended that the trial continue with a sample size increase to ~700 patients. We expect to complete enrollment of FRUTIGA around the end of 2021.

Fruquintinib Combinations with Checkpoint Inhibitors

The table below shows a summary of the clinical trials we have ongoing and in planning for fruquintinib in combination with checkpoint inhibitors.

Clinical Trials of Fruquintinib with Checkpoint Inhibitors

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Fruquintinib and Tyvyt (PD-1)	Chinese PLA General Hospital and Innovent	CRC	China (6)	II	Ongoing. Started in Aug 2019.	NCT04179084
Fruquintinib and Tyvyt (PD-1)	HUTCHMED and Innovent	Hepatocellular carcinoma	China (9)	Ib/II	Ongoing. Expansion cohort started in mid-20.	NCT03903705
Fruquintinib and Tyvyt (PD-1)	HUTCHMED and Innovent	Endometrial cancer	China (10)	Ib/II	Ongoing. Expansion cohort started in mid-20.	NCT03903705
Fruquintinib and Tyvyt (PD-1)	HUTCHMED and Innovent	RCC	China (7)	Ib/II	Ongoing. Expansion cohort started in mid-20.	NCT03903705
Fruquintinib and Tyvyt (PD-1)	HUTCHMED and Innovent	Gastrointestinal tumor	China (6)	Ib/II	Ongoing. Expansion cohort started in mid-20.	NCT03903705
Fruquintinib and tislelizumab (PD-1)	HUTCHMED and BeiGene	Triple negative breast cancer	U.S. (13)	Ib/II	In planning Expected to initiate in 1H 2021	NCT04577963
Fruquintinib and tislelizumab (PD-1)	BeiGene and HUTCHMED	Solid tumors	Korea (4), China (5)	Ib/II	In planning	NCT04716634
Fruquintinib and geptanolimab (PD-1)	Genor and HUTCHMED	CRC	China (3)	Ib	Ongoing. Started in April 2019.	NCT03977090
Fruquintinib and geptanolimab (PD-1)	Genor and HUTCHMED	NSCLC	China (2)	Ib	Ongoing. Started in July 2019.	NCT03976856

Notes:

(1) Expected maximum number of sites.

CRC = colorectal cancer; and NSCLC = non-small cell lung cancer.

In November 2018, we entered into two collaboration agreements to evaluate the safety, tolerability and efficacy of fruquintinib in combination with checkpoint inhibitors. These include a global collaboration with Innovent to evaluate the combination of fruquintinib with Innovent's Tyvyt, a PD-1 monoclonal antibody approved in China, and a collaboration in China with Genor to evaluate the fruquintinib combination with geptanolimab, a PD-1 monoclonal antibody being developed by Genor. We are now approaching completion of the Phase I dose-finding study in China of fruquintinib in combination with Tyvyt, with the Phase I dose-expansion study already underway in five solid tumor indications. Phase Ib studies of fruquintinib in combination with geptanolimab in second-line CRC and NSCLC are ongoing.

At ASCO 2021, encouraging preliminary data were disclosed for fruquintinib in combination with two PD-1 inhibitors, Tyvyt and geptanolimab, in advanced CRC.

For the 15 patients in the CRC cohort of the fruquintinib and geptanolimab Phase Ib study, ORR was 26.7% (including 1 patient with unconfirmed PR) and 33% in the group that received the recommended Phase II dose (3mg/kg of geptanolimab every 2 weeks, 4mg of fruquintinib once daily for 3 weeks on, 1 week off). DCR for all evaluable patients were 80% and median PFS was 7.3 months (95% CI: 1.9-NR). Grade 3 TRAEs occurred in 47% of patients, and no incidences of grade 4 or 5 TRAEs were observed.

In the Tyvyt and fruquintinib combination study, 44 patients were enrolled into the CRC cohort, 22 of whom received the recommended Phase II dose of 200mg of Tyvyt every three weeks and 5mg of fruquintinib once daily for 2 weeks on, 1 week off. ORR was 23% for all patients and 27% for those who received the recommended Phase II dose. DCR was 86% for all patients and 96% for those who received the recommended Phase II dose. Median PFS was 5.6 months for all patients, and 6.9 months for those who received the recommended Phase II dose. Median OS was 11.8 months for all patients. We are formulating the registration study for mCRC. Outside of CRC, registration strategy for additional indications are in various stage of being formulated, and 3 new cohorts are being added to the study.

In addition, in May 2020, we entered into a global clinical collaboration agreement to evaluate the safety, tolerability and efficacy of combining fruquintinib with BeiGene's anti-PD-1 antibody, tislelizumab, for the treatment of various solid tumor cancers in the United States, Europe, China and Australia. In the first half of 2021, we plan to initiate a Phase Ib/II study for fruquintinib in combination with tislelizumab in patients with advanced refractory triple negative breast cancer, to be followed by a further study in additional solid tumor types.

Fruquintinib Exploratory Development

We are conducting multiple Phase Ib expansion cohorts in the United States to explore fruquintinib in CRC and breast cancer. In China, we are currently supporting dozens of investigator-initiated studies in various solid tumor settings.

Overview of Elunate Commercial Launch

Fruquintinib capsules, sold under the brand name Elunate, were approved for marketing in China by the NMPA in September 2018 and commercially launched in late November 2018. Elunate is for the treatment of patients with mCRC that have been previously treated with fluoropyrimidine, oxaliplatin and irinotecan, including those who have previously received anti-VEGF therapy and/or anti-EGFR therapy (RAS wild type).

Starting on January 1, 2020, Elunate was included on China's NRDL at a 63% discount to its initial retail price, paving the way to significantly broaden access for advanced CRC patients and rapidly build penetration in China over the coming years.

The revenues we generate from Elunate are comprised of royalty revenue, revenue from the sales of Elunate to Eli Lilly which we manufacture and sell at cost and, starting in October 2020, revenue from promotion and marketing services. In 2019, we generated US$10.8 million in total revenue from Elunate, of which US$2.7 million was royalty revenue and US$8.1 million was revenue from sales to Eli Lilly. In 2020, we generated US$20.0 million in total revenue from Elunate, of which US$4.9 million was royalty revenue, US$11.3 million was revenue from sales of goods primarily to Eli Lilly and US$3.8 million was revenue from promotion and marketing services to Eli Lilly.

Partnership with Eli Lilly

In October 2013, we entered into a license and collaboration agreement with Eli Lilly in order to accelerate and broaden our fruquintinib development program in China. As a result, we were able to quickly expand the clinical development of fruquintinib into indications with unmet medical needs in China including CRC and gastric cancer, as discussed above. In December 2018, we amended our license and collaboration agreement with Eli Lilly. This amendment gives us, among other things, all planning, execution and decision making responsibilities for life cycle indication development of fruquintinib in China. Support from Eli Lilly has also helped us to establish our own manufacturing (formulation) facility in Suzhou, China, which now produces clinical and commercial supplies of fruquintinib. In July 2020, we reached an agreement with Eli Lilly to take over development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities for Elunate in China starting on October 1, 2020. Under the terms of the new agreement, we will share gross profits linked to sales target performance. Subject to meeting pre-agreed sales targets, Eli Lilly will pay us an estimated total of 70% to 80% of Elunate sales in the form of royalties, manufacturing costs and service payments.

For more information regarding our partnership with Eli Lilly, see "*– Overview of Our Collaborations – Eli Lilly*."

4. HMPL-689 PI3Kδ Inhibitor

HMPL-689 is a novel, highly selective and potent small molecule inhibitor targeting the isoform PI3Kδ, a key component in the B-cell receptor signaling pathway. We have designed HMPL-689 with superior PI3Kδ isoform selectivity, in particular to not inhibit PI3Kγ and offering advantages over Zydelig to minimize the risk of serious infection caused by immune suppression. HMPL-689's strong potency, particularly at the whole blood level, also allows for reduced daily doses to minimize compound related toxicity, such as the high level of gastrointestinal and liver toxicity observed with several first-generation PI3Kδ inhibitors. HMPL-689's pharmacokinetic properties have been found to be favorable with good oral absorption, moderate tissue distribution and low clearance in pre-clinical pharmacokinetic studies. We also expect that HMPL-689 will have low risk of drug accumulation and drug-to-drug interaction.

Mechanism of Action

Targeting the B-cell signaling pathway is emerging as a potential means to treat both hematological cancer and immunological diseases. Inhibiting different kinases found along the B-cell signaling pathway has proven to have clinical efficacy in hematological cancers, with breakthrough therapies having been recently approved by the FDA.

The high efficacy and successful approvals of BTK inhibitors and PI3Kδ inhibitors are evidence that modulation of the B-cell signaling pathway is critical for the effective treatment of B-cell malignancies.

Class I PI3Ks are lipid kinases that, through a series of intermediate processes, control the activation of several important signaling proteins including the serine/threonine kinase AKT.

There are multiple sub-families of PI3K kinases, and PI3Kδ is a lipid kinase that, through a series of intermediate processes, controls the activation of several important signaling proteins, including the serine/threonine kinase AKT. In most cells, AKT is a key PI3Kδ affector that regulates cell proliferation, carbohydrate metabolism, cell motility and apoptosis and other cellular processes. Upon an antigen binding to B-cell receptors, PI3Kδ can be activated through the Lyn and Syk signaling cascade.

Aberrant B-cell function has been observed in multiple immunological diseases and B-cell mediated malignancies. Therefore, PI3Kδ is considered to be a promising target for drugs that aim to prevent or treat hematologic cancer, autoimmunity and transplant organ rejection and other related inflammation diseases.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – Syk and PI3K*δ*/B-cell signaling Pathways – Overview of PI3K*δ *Inhibitors*" for more details.

HMPL-689 Pre-clinical Evidence

Compared to other PI3Kδ inhibitors, HMPL-689 shows higher potency and selectivity.

Enzyme Selectivity (IC_{50} in nM) of HMPL-689 Versus Competing PI3Kδ Inhibitors; This Shows HMPL-689 is Approximately Five-fold More Potent than Zydelig on Whole Blood Level and, unlike Copiktra, does not Inhibit PI3Kγ.

Enzyme IC_{50} (nM)	HMPL-689	Zydelig	Copiktra	Aliqopa
PI3Kδ	0.8 (n = 3)	2	1	0.7
PI3Kγ (fold vs. PI3Kδ)	114 (142x)	104 (52x)	2 (2x)	6.4 (9x)
PI3Kα (fold vs. PI3Kδ)	>1,000 (>1,250x)	866 (433x)	143 (143x)	0.5 (1x)
PI3Kδ human whole blood CD63+	3	14	15	n/a
PI3Kβ (fold vs. PI3Kδ)	87 (109x)	293 (147x)	8 (8x)	3.7 (5x)

Source: Company.

HMPL-689 Clinical Development

The table below shows a summary of the clinical studies for HMPL-689.

Clinical Trials of HMPL-689

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
HMPL-689 monotherapy	HUTCHMED	Indolent non-Hodgkin's lymphoma	China (15)	Ib	Ongoing. Data supported progressing into Phase II registration-intent	NCT03128164
HMPL-689 monotherapy	HUTCHMED	r/r MZL and FL	China (36)	II registration-intent	Ongoing. First patient dosed in April 2021	NCT04849351
HMPL-689 monotherapy	HUTCHMED	Indolent non-Hodgkin's lymphoma	U.S./ Europe (18)	I/Ib	Ongoing. First patient dosed in Aug 2019. To support US regulatory interaction in 2H21.	NCT03786926
HMPL-689 monotherapy	HUTCHMED	Indolent non-Hodgkin's lymphoma	U.S./ Europe (N/A)	II registration-intent	In planning. Expect to complete US FDA regulatory interaction in 2H21	N/A

Note:

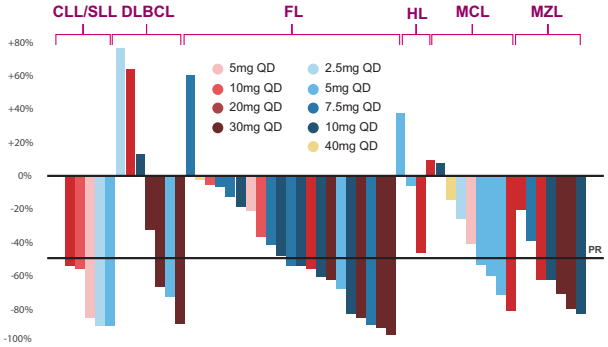
(1) Expected maximum number of sites.

Phase Ib study of HMPL-689 in patients with Indolent non-Hodgkin's lymphoma (Status: enrolling; NCT03128164)

Our Phase I/Ib study of HMPL-689 in China has successfully established a Phase II dose and has now expanded into multiple sub-categories of indolent non-Hodgkin's lymphoma.

In December 2020, we presented preliminary results from a Phase I dose escalation study of HMPL-689 in Chinese patients with relapsed/refractory lymphoma at the American Society of Hematology (ASH) Annual Meeting. A total of 56 patients were enrolled resulting in an ORR of 51.9% (27/52) and complete response rate of 11.5% (6/52) in efficacy evaluable patients. The median time to response and duration of response were 1.8 months (1.8-1.9) and 9.2 months (3.9-NR), respectively. One patient with follicular lymphoma who achieved complete response (per post hoc independent radiologic review) was on treatment for over 19 months. In the nine efficacy evaluable patients treated with the RP2D of 30mg QD orally, efficacy was encouraging with an ORR of 100% (4/4) in follicular lymphoma, 100% in marginal zone lymphoma (2/2) and 67% (2/3) in diffuse large B-cell lymphoma.

Phase 1 Dose Escalation Study: Promising HMPL-689 Single-agent Clinical Activity in Relapsed/refractory B-cell Symphoma Patients



Intent-to-treat population (n=56)	
Best Response	
Complete Response, %	11 (4-22)
Partial Response, %	37
Stable Disease, %	34
Progressive Disease, %	11
Overall Response Rate	48% (35-62)
Clinical Benefit Rate	82% (70-91)
Time on Treatment	5.6 months (0.7–23.2)
Time to Response	1.8 months (1.8–1.9)
Duration of Response	9.2 months (3.9–NR)
Progression Free Survival	10.1 months (5.5–15.7)
1-year PFS rate	40% (27–57)

Notes: CLL = chronic lymphocytic leukemia; SLL = small lymphocytic lymphoma; DLBCL = diffuse large B-cell lymphoma; FL = follicular lymphoma; HL = Hodgkin's lymphoma; MCL = mantle cell lymphoma; MZL = marginal zone lymphoma; BID = twice daily; QD = once daily; PR = partial response; n = number of patients; PFS = progression-free survival; and NA = not available.

Source: Cao JN, et al. "Results from a Phase 1 Dose Escalation Study of HMPL-689, a Selective Oral Phosphoinositide 3-Kinase-Delta Inhibitor, in Chinese Patients with relapsed/refractory (R/R) Lymphoma" Presented at the 62nd American Society of Hematology (ASH) Annual Meeting and Exposition on December 5, 2020. Abstract #1135.

HMPL-689 was well tolerated at the RP2D exhibiting dose-proportional pharmacokinetics and a manageable toxicity profile. Grade 3 or more non-hematologic TEAEs occurring in more than two patients were pneumonia, rash, hypertension, and increased lipase. Grade 3 or more hematologic TEAEs occurring in more than two patients were neutropenia, and no Grade 5 TEAEs were reported.

The Phase Ib dose expansion study in China is ongoing in multiple sub-categories of indolent non-Hodgkin's lymphoma.

Phase II registration-intent study of HMPL-689 in patients with relapsed/refractory follicular lymphoma and relapsed/refractory marginal zone lymphoma (Status: enrolling; NCT04849351)

In April 2021, we commenced a registration-intent Phase II trial of HMPL-689 in China in patients with relapsed or refractory follicular lymphoma and marginal zone lymphoma, two subtypes of non-Hodgkin's lymphoma. The clinical trial is a multi-center, single-arm, open-label clinical study to evaluate the efficacy and safety of HMPL-689 once a day oral monotherapy in approximately 100 patients with relapsed/refractory follicular lymphoma and approximately 80 patients with relapsed/refractory marginal zone lymphoma. Relapsed/refractory is defined when a patient has not achieved response (complete response or partial response) after the latest line of systemic treatment, or has progressive disease or relapse after achieving response. The primary endpoint is ORR, with secondary endpoints including CR rate, PFS, TTR and DoR. The trial is being conducted in over 35 sites in China. The initiation of the Phase II trial is based on the highly promising preliminary results from the Phase Ib expansion study ongoing in China, which has shown thus far that HMPL-689 was well tolerated, exhibiting dose-proportional pharmacokinetics, a manageable toxicity profile, and single-agent clinical activity in relapsed/refractory B-cell lymphoma patients.

Phase I/Ib study of HMPL-689 in patients with Indolent non-Hodgkin's lymphoma (Status: enrolling; NCT03786926)

In August 2019, we initiated an international Phase I/Ib study of HMPL-689 in patients with relapsed or refractory lymphoma. The international clinical study, with 17 sites in the United States and Europe, is a multi-center, open-label, two-stage study, including dose escalation and expansion, investigating the effects of HMPL-689 administered orally to patients with relapsed or refractory lymphoma. The primary outcome measures are safety and tolerability. Secondary outcomes include pharmacokinetic measurements and preliminary efficacy such as ORR. Dose escalation is near complete and we expect to be able to engage with regulatory authorities in the second half of 2021 to discuss potential registration pathways.

5. HMPL-523 Syk Inhibitor

The result of our over six-year program of discovery and pre-clinical work against Syk is HMPL-523, a highly selective Syk inhibitor with a unique pharmacokinetic profile which provides for higher drug exposure in the tissue than on a whole blood level. We designed HMPL-523 intentionally to have high tissue distribution because it is in the tissue that the B-cell activation associated with rheumatoid arthritis and lupus occurs most often. Furthermore, and somewhat counter intuitively, in hematological cancer the vast majority of cancer cells nest in tissue, with a small proportion of cancer cells releasing and circulating in the blood where they cannot survive for long. We assessed that an effective small molecule Syk inhibitor would need to have superior tissue distribution.

However, many pharmaceutical and biotechnology companies had experienced difficulties in developing a safe and efficacious Syk-targeted drug. For example, the development of the Syk inhibitor Tavalisse for rheumatoid arthritis was one such failed program, although clear efficacy was observed in Phase II and Phase III trials. The main problem was off-target toxicities associated with poor kinase selectivity, such as hypertension and severe diarrhea. Therefore, we believe that kinase selectivity is critical to a successful Syk inhibitor. In addition, Tavalisse was designed as a prodrug in order to improve solubility and oral absorption. A prodrug is medication administered in a pharmacologically inactive form which is converted to an active form once absorbed into circulation. The rate of the metabolism required to release the active form can vary from patient to patient, resulting in large variation in active drug exposures that can impact efficacy. In addition to convenient oral dosing, we believe HMPL-523 offers important advantages over intravenous monoclonal antibody immune modulators in rheumatoid arthritis in that small molecule compounds generally clear the system faster, thereby reducing the risk of infections from sustained suppression of the immune system.

Mechanism of Action

Syk is a key kinase upstream to PI3Kδ and BTK within the B-cell signaling pathway and therefore thought to be an important target for modulating B-cell signaling.

Syk, a target for autoimmune diseases

The central role of Syk in signaling processes is not only in cells of immune responses but also in cell types known to be involved in the expression of tissue pathology in autoimmune, inflammatory and allergic diseases. Therefore, interfering with Syk could represent a possible therapeutic approach for treating these disorders. Indeed, several studies have highlighted Syk as a key player in the pathogenesis of a multitude of diseases, including rheumatoid arthritis, systemic lupus erythematosus and multiple sclerosis.

Syk, a target for oncology

In hematological cancer, we believe Syk is a high potential target. In hematopoietic cells, Syk is recruited to the intracellular membrane by activated membrane receptors like B-cell receptors or another receptor called Fc and then binds to the intracellular domain of the receptors. Syk is activated after being phosphorylated by certain kinases and then further induces downstream intracellular signals including B-cell linker, PI3Kδ, BTK and Phospholipase C-y2 to regulate B-cell proliferation, growth, differentiation, homing, survival, maturation, and immune responses. Syk not only involves the regulation of lymphatic cells but also signal transduction of non-lymphatic cells such as mast cells, macrophages, and basophils, resulting in different immunological functions such as degranulation to release immune active substances, leading to immunological reaction and disease. Therefore, regulating B-cell signal pathways through Syk is expected to be effective for treating lymphoma.

Syk is upstream of both BTK and PI3Kδ, and we believe it could deliver the same outcome as inhibitors of BTK and PI3Kδ, assuming no unintentional toxicities are derived from Syk inhibition. Entospletinib, a Syk inhibitor developed by Gilead (now under the ownership of Kronos Bio), reported promising Phase II study results in late 2015 with a nodal response rate of 65% observed in chronic lymphocytic leukemia and small lymphocytic lymphoma. Nodal response is defined as a greater than 50% decrease from baseline in the sum of lymph node diameters. Gilead has also reported that entospletinib demonstrated a nodal response rate of 44% in an exploratory clinical study in chronic lymphocytic leukemia patients previously treated with Imbruvica and Zydelig, thereby indicating that Syk inhibition has the potential to overcome resistance to Imbruvica and Zydelig.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – Syk and PI3Kδ/B-cell signaling Pathways – Overview of Syk Inhibitors*" for more details.

HMPL-523 Research Background

The threshold of safety for a Syk inhibitor in chronic disease is extremely high, with no room for material toxicity. The failure of Tavalisse in a global Phase III registration study in rheumatoid arthritis provided important insights for us in the area of toxicity. While Tavalisse clearly showed patient benefit in rheumatoid arthritis, a critical proof-of-concept for Syk modulation, it also caused high levels of hypertension which is widely believed to be due to the high levels of off-target kinase insert domain receptor inhibition. In addition, Tavalisse has also been shown to strongly inhibit the Ret kinase, and in pre-clinical trials it was demonstrated that inhibition of the Ret kinase was associated with developmental and reproductive toxicities.

The requirement for Syk kinase activity in inflammatory responses was first evaluated with Tavalisse, which was co-developed by AstraZeneca/Rigel Pharmaceuticals, Inc. In 2013, AstraZeneca announced results from pivotal Phase III clinical trials that Tavalisse statistically significantly improved ACR20 (a 20% improvement from baseline based on the study criteria) response rates of patients inadequately responding to conventional disease-modifying anti-rheumatic drugs and a single anti-TNFα (a key pro-inflammatory cytokine involved in rheumatoid arthritis pathogenesis) antagonist at 24 weeks, but failed to demonstrate statistical significance in comparison to placebo at 24 weeks. As a result, AstraZeneca decided not to proceed. Rigel Pharmaceuticals subsequently chose to develop Tavalisse for immune thrombocytopenia instead, for which it was approved by the FDA in 2018 and the EMA in 2020.

Tavalisse was also in trials for B-cell lymphoma and T-cell lymphoma. It demonstrated some clinical efficacy in diffused large B-cell lymphoma patients with an ORR of 22%. Entospletinib has features of high potency and good selectivity toward kinases. However, while the Phase II study discussed above showed that it had significant efficacy in patients with chronic lymphocytic leukemia and small lymphocytic lymphoma, its poor solubility and permeability into intestinal epithelial cells resulted in unsatisfactory oral absorption and a great

variation of individual drug exposure. In addition, entospletinib shows some inhibition of the CYP3A4, CYP2D6, and CYP1A2 enzymes involved in the metabolism of certain drugs, and therefore their inhibition could increase the risk of drug-to-drug interaction when used in combined therapy.

HMPL-523 Pre-clinical Evidence

The safety profile of HMPL-523 was evaluated in multiple in vitro and in vivo pre-clinical trials under good laboratory practice guidelines and found to be well tolerated following single dose oral administration. Toxic findings were seen in repeat dose animal safety evaluations in rats and dogs at higher doses and found to be reversible. These findings can be readily monitored in the clinical trials and fully recoverable upon drug withdrawal. The starting dose in humans was suggested to be 5 mg. This dose level is approximately 5% of the human equivalent dose extrapolated from the pre-clinical "no observed adverse event levels," which is below the 10% threshold recommended by FDA guidelines.

HMPL-523 Clinical Trials

As discussed below, we currently have various clinical trials of HMPL-523 ongoing in Australia, the United States, Europe and China as a monotherapy. The table below shows a summary of the clinical trials that we have underway for HMPL-523.

Current Clinical Trials of HMPL-523

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
HMPL-523 monotherapy	HUTCHMED	Immune thrombocytopenia purpura	China (10)	I/Ib	Ongoing. Supports initiation of Phase III in 2H21	NCT03951623
HMPL-523 monotherapy	HUTCHMED	Indolent non-Hodgkin's lymphoma	Australia (12)	Ib	Active, not recruiting.	NCT02503033
HMPL-523 monotherapy	HUTCHMED	Indolent non-Hodgkin's lymphoma	U.S./ Europe (22)	I/Ib	Ongoing. First patient dosed in Sept 2019.	NCT03779113
HMPL-523 monotherapy	HUTCHMED	Multiple sub-types of B-cell malignancies	China (18)	I/Ib	Enrollment completed	NCT02857998

Note:

(1) Expected maximum number of sites.

Phase I/Ib study of HMPL-523 in patients with immune thrombocytopenia (Status: ongoing)

In mid-2019, we initiated a Phase I study of HMPL-523 in patients with immune thrombocytopenia purpura. Immune thrombocytopenia purpura is an autoimmune disorder characterized by low platelet count and an increased bleeding risk. Despite availability of several treatments with differing mechanisms of action, a significant proportion of patients develop resistance to treatment and are prone to relapse. In addition, there is a significant population of patients who have limited sensitivity to currently available agents and are in need of a new approach to treatment.

The study is a randomized, double-blinded, placebo-controlled Phase Ib clinical trial investigating the safety, tolerability, pharmacokinetics and preliminary efficacy of HMPL-523 in adult patients with immune thrombocytopenia purpura. The primary endpoint is the number of patients with any adverse event. The secondary endpoints are maximum plasma concentration, area under the concentration-time curve in a selected time interval, and rate of clinical remission at week eighty. The trial is comprised of a dose escalation stage and a dose expansion stage. Approximately 50 to 60 patients are expected to be enrolled. Dose escalation is near complete with planning and preparation for a Phase III trial in China now underway.

Phase Ib studies of HMPL-523 in indolent non-Hodgkin's lymphoma and multiple subtypes of B-cell malignancies (Status: enrolling; NCT02503033/NCT02857998)

In early 2016, we initiated a Phase I dose escalation study of HMPL-523 in Australia and have completed seven dose cohorts. A Phase I study in China began in early 2017 and has now completed five dose cohorts. In both Australia and China, we have established both efficacious once daily and twice daily dose regimens. Our Phase I/Ib dose escalation and expansion studies in Australia and China have now enrolled over 200 patients in a broad range of hematological cancers and have identified indications of interest for future development.

Phase I/Ib study of HMPL-523 in indolent non-Hodgkin's lymphoma (Status: enrolling; NCT03779113)

Based on extensive proof-of-concept clinical data in China and Australia, we have initiated a Phase I/Ib study in the United States and Europe. Patient enrollment is underway in 11 sites, multiple dose cohorts have been completed already and we are close to establishing our Phase II dose.

6. HMPL-453 FGFR Inhibitor

Mechanism of Action

FGFR belongs to a subfamily of receptor tyrosine kinases. Four different FGFRs (FGFR1-4) and at least 18 ligand FGFs constitute the FGF/FGFR signaling system. Activation of the FGFR pathway through the phosphorylation of various downstream molecules ultimately leads to increased cell proliferation, migration and survival. FGF/FGFR signaling regulates a wide range of basic biological processes, including tissue development, angiogenesis, and

tissue regeneration. Given the inherent complexity and critical roles in physiological processes, dysfunction in the FGF/FGFR signaling leads to a number of developmental disorders and is consistently found to be a driving force in cancer. Deregulation of the FGFR can take many forms, including receptor amplification, activating mutations, gene fusions, and receptor isoform switching, and the molecular alterations are found at relatively low frequencies in most tumors. The incidence of FGFR aberrance in various cancer types is listed in the table below.

Common FGFR Alterations in Certain Tumor Types

	Gene amplification	Gene translocation	Gene mutation
FGFR1	Lung squamous (7-15%) H&N squamous (10-17%) Esophageal squamous (9%) Breast (10-15%)	Lung squamous (n/a) Glioblastoma (n/a) Myeloproliferative syndrome (n/a) Breast (n/a)	Gastric (4%) Pilocytic astrocytoma (5-8%)
FGFR2	Gastric (5-10%) Breast (5-10%)	Intra-hepatic biliary tract cancer (14%) Breast (n/a)	Endometrial (12-14%) Lung squamous (5%)
FGFR3	Bladder (3%) Salivary adenoid cystic (n/a) Breast (1%)	Bladder (3-6%) Lung squamous (3%) Glioblastoma (3-7%) Myeloma (15-20%)	Bladder (60-80% NMIBC; 15-20% MIBC) Cervical (5%)

Notes: H&N = head and neck; NMIBC = non-muscle invasive bladder cancer; MIBC = muscle invasive bladder cancer; and n/a = data not available.

Source: M. Touat et al., "Targeting FGFR Signaling in Cancer," Clinical Cancer Research (2015); 21(12); 2684-94.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – FGFR Pathways – Overview of FGFR Inhibitors*" for more details.

HMPL-453 Research Background

We noted a growing body of evidence has demonstrated the oncogenic potential of FGFR aberrations in driving tumor growth, promoting angiogenesis, and conferring resistance mechanisms to oncology therapies. Targeting the FGF/FGFR signaling pathway has therefore attracted attention from biopharmaceutical companies and has become an important exploratory target for new anti-tumor target therapies.

The main FGFR on-target toxicities observed to date in these compounds are all mild and manageable, including hyperphosphatemia, nail and mucosal disorder, and reversible retinal pigmented epithelial detachment. However, there are still many challenges in the development of FGFR-directed therapies. Uncertainties include the screening and stratifying of patients who are most likely to benefit from FGFR targeted therapy. Intra-tumor heterogeneity observed in FGFR amplified cancer may compromise the anti-tumor activity. In addition, the low frequency of specific FGFR molecular aberrance in each cancer type may hinder clinical trial enrollment.

HMPL-453 Pre-clinical Evidence

HMPL-453 is a highly selective and potent, small molecule that targets FGFR 1/2/3 with an IC_{50} in the low nanomolar range. Its good selectivity was revealed in the screening against 292 kinases. HMPL-453 exhibited strong anti-tumor activity that correlated with target inhibition in tumor models with abnormal FGFR activation.

HMPL-453 has good pharmacokinetic properties characterized by rapid absorption following oral dosing, good bioavailability, moderate tissue distribution and moderate clearance in all pre-clinical animal species. HMPL-453 was found to have little inhibitory effect on major cytochrome P450 enzymes, indicating low likelihood of drug-to-drug interaction issues.

HMPL-453 Clinical Development

The table below shows a summary of the clinical trials that we have recently completed and underway for HMPL-453.

Clinical Trials of HMPL-453

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
HMPL-453 monotherapy	HUTCHMED	Solid tumors	China (2)	I	Enrollment completed	NCT03160833
HMPL-453 monotherapy	HUTCHMED	Cholangiocarcinoma (IHCC)	China (15)	II	Ongoing. First patient dosed Sept 2020.	NCT04353375

Note:

(1) Expected maximum number of sites.

Phase I HMPL-453 monotherapy in solid tumors–China (Status: enrollment completed; NCT03160833)

In June 2017, we initiated a Phase I clinical trial of HMPL-453 in China. This Phase I study is a multi-center, single-arm, open-label, two-stage study to evaluate safety, tolerability, pharmacokinetics and preliminary efficacy of HMPL-453 monotherapy in patients with solid tumors harboring FGFR genetic alterations. The dose-escalation stage is currently enrolling patients to further evaluate safety, tolerability and pharmacokinetics as well as preliminary anti-tumor efficacy at the RP2D. This stage will enroll primarily cancer patients harboring FGFR dysregulated tumors, including those with advanced bladder cancer, advanced cholangiocarcinoma and other solid tumors. For this second stage, the primary endpoint is ORR, with secondary endpoints including duration of response, disease control rate, PFS, OS and safety.

Phase II HMPL-453 monotherapy in advanced intrahepatic cholangiocarcinoma–China (Status: ongoing; NCT04353375)

In September 2020, we initiated a Phase II, single-arm, multi-center, open-label study, evaluating the efficacy, safety and pharmacokinetics of HMPL-453 in patients with advanced intrahepatic cholangiocarcinoma with FGFR2 fusion that had failed at least one line of systemic therapy. IHCC is a cancer that develops within the bile ducts, the second most common primary hepatic malignancy after hepatocellular carcinoma. Approximately 10-15% of IHCC patients have tumors that harbor FGFR2 fusion.

7. HMPL-306

HMPL-306 is a novel small molecule dual-inhibitor of IDH1 and 2 enzymes. IDH1 and IDH2 mutations have been implicated as drivers of certain hematological malignancies, gliomas and solid tumors, particularly among acute myeloid leukemia patients.

Mechanism of Action

IDHs are critical metabolic enzymes that help to break down nutrients and generate energy for cells. When mutated, IDH creates a molecule that alters the cell's genetic programming and prevents cells from maturing, 2-hydroxyglutarate ("2-HG"). Reduction in 2-HG levels can be used as a marker of target engagement by an IDH inhibitor. IDH1 or IDH2 mutations are common genetic alterations in various types of blood and solid tumors, including acute myeloid leukemia, with approximately 20% of patients having mutant IDH genes, myelodysplastic syndrome (MDS), myeloproliferative neoplasms (MPNs), low-grade glioma and intrahepatic cholangiocarcinoma. Mutant IDH isoform switching, either from cytoplasmic mutant IDH1 to mitochondrial mutant IDH2, or vice versa, is a mechanism of acquired resistance to IDH inhibition in acute myeloid leukemia and cholangiocarcinoma.

Cytoplasmic mutant IDH1 and mitochondrial mutant IDH2 have been known to switch to the other form when targeted by an inhibitor of IDH1 mutant alone or IDH2 mutant alone. By targeting both IDH1 and IDH2 mutations, HMPL-306 could potentially provide therapeutic benefits in cancer patients harboring either IDH mutation and may address acquired resistance to IDH inhibition through isoform switching.

Currently, the FDA has approved one drug for IDH1 mutation and one drug for IDH2 mutation, but no dual inhibitor targeting both IDH1 and IDH2 mutants has been approved.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – IDH – Overview of IDH1 and IDH2 Inhibition*" for more details.

HMPL-306 Clinical Trials

The table below shows a summary of the clinical trials that we have recently underway or in planning for HMPL-306.

Clinical Trials of HMPL-306

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
HMPL-306 monotherapy	HUTCHMED	Hematological malignancies	China (5)	I	Ongoing. First patient dosed in July 2020.	NCT04272957
HMPL-306 monotherapy	HUTCHMED	Solid tumors	U.S./ Europe (15)	I	Ongoing. First patient dosed in March 2021.	NCT04762602
HMPL-306 monotherapy	HUTCHMED	Hematological malignancies	U.S./ Europe (15)	I	Ongoing. First patient dosed in May 2021.	NCT04764474

Phase I HMPL-306 monotherapy–China (Status: ongoing; NCT04272957)

In July 2020, we initiated our Phase I development in China. This is a multi-center study to evaluate the safety, pharmacokinetics, pharmacodynamics and efficacy of HMPL-306 in patients of relapsed or refractory hematological malignancies with an IDH1 and/or IDH2 mutation. Multiple sites have been initiated and we anticipate to be able to establish the Phase II dose during 2021.

Phase I HMPL-306 monotherapy in solid tumors–U.S. and Europe (Status: ongoing; NCT04762602)

In March 2021, we initiated our Phase I development in the United States and Europe. This is a multi-center study to evaluate the safety, tolerability pharmacokinetics, pharmacodynamics and preliminary efficacy of HMPL-306 in solid tumors, including but not limited to gliomas, chondrosarcomas or cholangiocarcinomas.

Phase I HMPL-306 monotherapy in hematological malignancies–U.S. and Europe (Status: ongoing; NCT04764474)

In the United States, IND applications for solid tumors and hematologic malignancies were cleared in October 2020. In May 2021, we dosed the first patient with IDHm+ hematological malignancies.

8. HMPL-295

HMPL-295, a novel ERK inhibitor, is our tenth in-house discovered small molecule oncology drug candidate. ERK is a downstream component of the RAS-RAF-MEK-ERK signaling cascade (MAPK pathway). This is our first of multiple candidates in discovery addressing the MAPK pathway.

Mechanism of Action

RAS-MAPK pathway is dysregulated in human diseases, particularly cancer, in which mutations or nongenetic events hyperactivate the pathway in more than 50% of cancers. Activating mutations in RAS genes occur in more than 30% of cancers. RAS and RAF predict worse clinical prognosis in a wide variety of tumor types, mediate resistance to targeted therapies, and decrease the response to the approved standards of care, namely, targeted therapy and immunotherapy. On the MAPK pathway, KRAS inhibitors are under clinical evaluation, and acquired resistance develops for RAF/MEK targeted therapies. ERK inhibition has the potential to overcome or avoid the intrinsic or acquired resistance from upstream mechanisms such as these.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – ERK – Overview of ERK Inhibitions*" for more details.

HMPL-295 Clinical Trials

The table below shows a summary of the clinical trials that we have recently underway or in planning for HMPL-295.

Clinical Trial of HMPL-295

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
HMPL-295 monotherapy	HUTCHMED	Solid tumors	China (5)	Ib/II	In planning. Intend to initiate in mid-2021	N/A

Note:

(1) Expected maximum number of sites.

We currently retain all rights to HMPL-295 worldwide. The IND was cleared in China in late 2020. Planning for the Phase I study in China is now underway and set to start in mid-2021.

9. Epitinib EGFR Inhibitor

Mechanism of Action

Epitinib (also known as HMPL-813) is a potent and highly selective oral EGFR inhibitor designed to optimize brain penetration. A significant portion of patients with EGFR activating mutations go on to develop brain metastasis. Patients with brain metastasis suffer from poor prognosis and low quality of life with limited treatment options. EGFR inhibitors have revolutionized the treatment of NSCLC with EGFR activating mutations. However, many approved EGFR inhibitors such as Iressa and Tarceva cannot penetrate the blood-brain barrier effectively, leaving the majority of patients with primary brain tumors or brain metastasis without an effective targeted therapy.

Our strategy has been to create targeted therapies in the EGFR area that would go beyond the already approved EGFRm+ patient population to address certain areas of unmet medical needs that represent market opportunities, including: (i) brain metastasis and/or primary brain tumors with EGFRm+, which we seek to address with epitinib; and (ii) tumors with EGFR gene amplification or EGFR overexpressed.

See "*Industry Overview – Overview of Molecular Targets and Market Landscape – EGFR Pathway – Overview of EGFR Inhibitors*" for more details.

Epitinib Pre-clinical Evidence

Pre-clinical trials and orthotopic brain tumor models have shown that epitinib demonstrated brain penetration and efficacy superior to that of certain globally marketed EGFRm+ inhibitors such as Iressa and Tarceva. In orthotopic brain tumor models, epitinib demonstrated good brain penetration, efficacy and pharmacokinetic properties as well as a favorable safety profile.

Epitinib Clinical Development

The table below shows a summary of the clinical trial that is underway for epitinib.

Clinical Trial of Epitinib

Treatment	Sponsors/Partners	Name, Line, Patient Focus	Sites[(1)]	Phase	Status/Plan	NCT #
Epitinib monotherapy	HUTCHMED	Glioblastoma	China (2)	Ib/II	Enrolling. First patient dosed in March 2018	NCT03231501

Note:

(1) Expected maximum number of sites.

Phase Ib/II epitinib monotherapy in glioblastoma (Status: enrolling; NCT03231501)

Glioblastoma is the most aggressive of the gliomas, which are tumors that arise from glial cells or their precursors within the central nervous system. Glioblastoma is classified as grade IV under the World Health Organization grading of central nervous system tumors, and is the most common brain and central nervous system malignancy, accounting for about half of such tumors according to the Cancer Genome Atlas Research Network. The standard of care for treatment is surgery, followed by radiotherapy and chemotherapy. Median survival is approximately 15 months, and the five-year OS rate is 6%. There are currently no target therapies approved for glioblastoma.

Epitinib is a highly differentiated EGFR inhibitor designed for optimal blood-brain barrier penetration. EGFR gene amplification has been identified in about half of glioblastoma patients, according to The Cancer Genome Atlas Research Network, and hence is a potential therapeutic target in glioblastoma.

In March 2018, we initiated a Phase Ib/II proof-of-concept study of epitinib in glioblastoma patients with EGFR gene amplification in China. This Phase Ib/II study is a multi-center, single-arm, open-label study to evaluate the efficacy and safety of epitinib as a monotherapy in patients with EGFR gene amplified, histologically confirmed glioblastoma.

10. Theliatinib EGFR Inhibitor

Like epitinib, theliatinib (also known as HMPL-309) is a novel small molecule EGFR inhibitor. Tumors with wild-type EGFR activation, for instance, through gene amplification or protein over-expression, are less sensitive to current EGFR tyrosine kinase inhibitors such as Iressa and Tarceva due to sub-optimal binding affinity. Theliatinib has been designed with strong affinity to the wild-type EGFR kinase and has demonstrated five to ten times the potency than Tarceva in pre-clinical trials. This holds importance because tumors with wild-type EGFR activation have been found to be less sensitive to current EGFR inhibitors and is notable in certain cancer types such as esophageal cancer, where 15-28% have EGFR gene amplification and 50-70% have EGFR overexpressed. As a result, we believe that theliatinib could potentially be more effective than existing EGFR tyrosine kinase inhibitor products and benefit patients with tumor types with a high incidence of wild-type EGFR activation. We currently retain all rights to theliatinib worldwide. Phase I/Ib studies of theliatinib have been completed, and we are evaluating further development strategies.

Theliatinib Pre-clinical Evidence

EGFR is overexpressed in a significant proportion of epithelium-derived carcinomas, which are cancers that begin in a tissue that lines the inner or outer surfaces of the body. Theliatinib inhibits the epidermal growth factor-dependent proliferation of cells at nanomolar concentrations. Of most interest is the strong binding affinity to wild-type EGFR enzyme demonstrated by theliatinib. The data indicated that upon withdrawal of the drug, the EGFR

phosphorylation rapidly returned to higher levels for Iressa and Tarceva, while EGFR phosphorylation remained low for theliatinib after drug withdrawal, suggesting theliatinib may demonstrate a sustained target occupancy or "slow-off" characteristic due to strong binding.

Theliatinib Clinical Development

Results showed that doses up to 500 mg once daily were determined to be safe and well-tolerated, with no dose-limiting toxicities and no clear maximum tolerated dose. Pharmacokinetic exposure increased with dose, with a 300 mg once daily or more considered to be sufficient to inhibit EGFR phosphorylation. Among the 21 patients that received 120 mg to 500 mg once daily, there were only four treatment-emergent adverse events of grade >3: gastrointestinal bleeding, decreased white blood cell count, anemia or decreased platelet count (1/21 = 5% each). There were no incidences of grade >3 rash or diarrhea. Among seven esophageal cancer patients, five had measurable lesions and could be evaluated for response. All five had stable disease. Of the efficacy evaluable patients in the 120 mg to 500 mg cohorts, 44% (8/18) had stable disease after 12 weeks.

Although we observed efficacy, primarily in the form of stable disease or short duration response, we have decided that it does not warrant continued development of theliatinib monotherapy in esophageal cancer at this time.

OUR RESEARCH AND DEVELOPMENT APPROACH

Our core research and development philosophy is to take a holistic approach to the treatment of cancer and immunological diseases, through multiple modalities and mechanisms, including targeted therapies, immunotherapies and other pathways. A primary objective of our research efforts has been to develop next generation drug candidates with:

- unique selectivity to limit target-based toxicity;
- high potency to optimize the dose selection with the objective to lower the required dose and thereby limit compound-based toxicity;
- chemical structures deliberately engineered to improve drug exposure in the targeted tissue; and
- ability to be combined with other therapeutic agents, including targeted therapies, immunotherapies and chemotherapies.

We have built a drug discovery engine, with which we strive to create differentiated novel oncology and immunology treatments with global potential. These include furthering both small molecule and biologic therapies which address aberrant genetic drivers and cancer cell metabolism; modulate tumor immune microenvironment; and target immune cell checkpoints. We design drug candidates with profiles that enable them to be used in innovative combinations

with other therapies, such as chemotherapy, immunotherapy and other targeted therapy in order to attack disease simultaneously through multiple modalities and pathways. We believe that this approach can significantly improve treatment outcomes for patients.

We believe our ability to successfully develop innovative drug candidates through our Oncology/Immunology operations will be the primary factor affecting our long-term competitiveness, as well as our future growth and development. Creating high quality global first-in-class or best-in-class drug candidates requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As a result of this commitment, our pipeline of drug candidates has been steadily advancing and expanding, with ten clinical-stage drug candidates, seven of which are either in or about to start clinical development. See "– *Our Clinical Pipeline*" for more details.

In addition, we have three more novel oncology drug candidates in preclinical stage. We retain all global rights to these three drug candidates and are targeting dual U.S. and China IND submissions for some of them during 2021. We have also partnered with Inmagene to further develop four novel immunological disease drug candidates that we discovered and are in preclinical stage.

Beyond these clinical and preclinical stage candidates, we continue to conduct research into discovering new types of drug candidates, including among others, small molecules addressing cancer-related apoptosis, cell signaling, epigenetics and protein translation; biologic drug candidates including bispecific antibodies; and novel technologies including antibody-drug conjugates and heterobifunctional small molecules.

We have incurred and will continue to incur significant research and development costs for pre-clinical studies and clinical trials as all of the drug candidates of our Oncology/Immunology operations, other than fruquintinib and surufatinib, are still in development. We expect that our research and development expenses will significantly increase in future periods in line with the advance and expansion of the development of our drug candidates, including fruquintinib and surufatinib.

We and our collaboration partners have invested over US$970 million in our Oncology/Immunology operations as of December 31, 2020, with almost all of these funds used for research and development expenses for the development of our drug candidates. Oncology/Immunology expenses include:

- employee compensation related expenses, including salaries, benefits and equity compensation expense;
- expenses incurred for payments to CROs, investigators and clinical trial sites that conduct our clinical trials;
- the cost of acquiring, developing, and manufacturing clinical study materials;

- facilities, depreciation and other expenses, which include office leases and other overhead expenses; and

- costs associated with pre-clinical activities and regulatory operations.

See "*Financial Information*" for further details of our research and development costs incurred by our Oncology/Immunology operations.

As of the Latest Practicable Date, our Oncology/Immunology operations had approximately 680 scientists and staff, including 32 M.D.s and 82 doctorate degrees. We staff our research and development teams for each project based on employees' experience, education, and availability. Our research and development team operates primarily in two major facilities in Shanghai, totaling approximately 11,000 square meters, a formulation facility in Suzhou as well as our office in New Jersey.

OVERVIEW OF OUR COLLABORATIONS

Collaborations and joint ventures with corporate partners have provided us with significant funding and access to our partners' scientific, development, regulatory and commercial capabilities. Our current oncology collaborations focus on savolitinib (collaboration with AstraZeneca) and fruquintinib (collaboration with Eli Lilly). When we entered into these collaborations, we had already conducted the discovery research and early clinical development of each drug candidate and, following our agreements, continued to conduct the clinical development and manage the engagement with regulatory authorities in China up to and including filing the NDAs with the NMPA. Our collaboration partners fund a significant portion of our research and development costs for drug candidates developed in collaboration with them. In addition, we receive upfront payments upon our entry into these collaboration arrangements and upon the achievement of certain development milestones for the relevant drug candidate. We have received upfront payments, equity contributions and milestone payments totaling approximately US$158.5 million mainly from our collaborations with AstraZeneca and Eli Lilly as of December 31, 2020. In return, our collaboration partners are entitled to a significant proportion of any future revenue from our drug candidates developed in collaboration with them, as well as a degree of influence over the clinical development process for such drug candidates. In addition, we have entered into other clinical collaborations for combination studies of fruquintinib and surufatinib with drug candidates belonging to BeiGene, Innovent and Junshi. We also have an immunology collaboration with Inmagene.

AstraZeneca

In 2008, our in-house teams started research on MET inhibitors, subsequently discovering our drug candidate, savolitinib, and conducting its pre-clinical development in-house. In 2011, we submitted applications for clinical development and initiated Phase I clinical trials. In December 2011, we entered into an agreement with AstraZeneca under which we granted to AstraZeneca co-exclusive, worldwide rights to develop, and exclusive worldwide rights to

manufacture and commercialize savolitinib for all diagnostic, prophylactic and therapeutic uses. In August 2016 and December 2020, we and AstraZeneca amended the terms of the agreement. We refer to this agreement, including the amendments thereto, as the AstraZeneca Agreement.

AstraZeneca paid US$20.0 million upon execution of the AstraZeneca Agreement and agreed to pay royalties and additional amounts upon the achievement of development and sales milestones. Under the original terms of the AstraZeneca Agreement, we and AstraZeneca agreed to share the development costs for savolitinib in China, with AstraZeneca being responsible for the development costs for savolitinib in the rest of the world. With respect to global pivotal Phase III development in patients with MET-driven PRCC, we subsequently agreed to contribute up to US$50 million and to share any additional costs equally with AstraZeneca. As of December 31, 2020, we had received US$24.9 million in milestone payments in addition to approximately US$44.4 million in reimbursements for certain development costs. We may potentially receive future clinical development and first sales milestones payments for clinical development and initial sales of savolitinib, plus significant further milestone payments based on sales. AstraZeneca also reimburses us for certain development costs. Subject to approval of savolitinib in PRCC, under the AstraZeneca Agreement, AstraZeneca is obligated to pay us increased tiered royalties from 14% to 18% annually on all sales made of any product outside of China, which represents a five percentage point increase over the original terms, subject to a potential downward adjustment on such point increase based on the amount of any contribution by AstraZeneca to the Phase III development in patients with such indication. After total aggregate additional royalties have reached five times our contribution to the Phase III development in patients with such indication, this royalty will step down over a two-year period, to an ongoing royalty rate of 10.5% to 14.5%. AstraZeneca is also obligated to pay us a fixed royalty of 30% on all sales made of any product in China.

Development and collaboration under this agreement are overseen by a joint steering committee that is comprised of three of our senior representatives as well as three senior representatives from AstraZeneca. AstraZeneca is responsible for the development of savolitinib and all regulatory matters related to this agreement in all countries and territories other than China, and we are responsible for the development of savolitinib and all regulatory matters related to this agreement in China. Since entering this Agreement, we have continued to lead the development of savolitinib in China.

Subject to earlier termination, the AstraZeneca Agreement will continue in full force and effect on a country-by-country basis as long as any collaboration product is being developed or commercialized. The AstraZeneca Agreement is terminable by either party upon a breach that is uncured, upon the occurrence of bankruptcy or insolvency of either party, or by mutual agreement of the parties. The AstraZeneca Agreement may also be terminated by AstraZeneca for convenience with 180 days' prior written notice. Termination for cause by us or AstraZeneca or for convenience by AstraZeneca will have the effect of, among other things, terminating the applicable licenses granted by us. Termination for convenience by AstraZeneca

will have the effect of obligating AstraZeneca to grant to us all of its rights to regulatory approvals and other rights necessary to commercialize savolitinib. Termination by AstraZeneca for convenience will not have the effect of terminating any license granted by AstraZeneca to us.

Eli Lilly

In 2007, our in-house research into VEGFR inhibitors led to the discovery of our drug candidate, fruquintinib. We conducted pre-clinical development in-house and initiated a Phase I clinical trial in 2010. In October 2013, we entered into an agreement with Eli Lilly whereby we granted Eli Lilly an exclusive license to develop, manufacture and commercialize fruquintinib for all uses in China and Hong Kong. In December 2018, following the commercial launch of fruquintinib in China, we and Eli Lilly amended the terms of the agreement and further amended the terms of the agreement in July 2020. We refer to this agreement, including the amendments thereto, as the Eli Lilly Agreement.

Subsequent to the entering of the Eli Lilly Agreement, the Company continued to lead the development of fruquintinib, including all clinical trial development. Eli Lilly reimbursed the Company for a majority of the development costs and provided input over the course of the development of fruquintinib. Development, collaboration and manufacture of the products under this agreement are overseen by a joint steering committee comprised of equal numbers of representatives from each party.

Eli Lilly paid a US$6.5 million upfront fee following the execution of the Eli Lilly Agreement in 2013 and agreed to pay royalties and additional amounts upon the achievement of development and regulatory approval milestones. As of December 31, 2020, Eli Lilly had paid us US$37.2 million in milestone payments in addition to approximately US$53.2 million in reimbursements for certain development costs.

We could potentially receive future milestone payments for the achievement of development and regulatory approval milestones in China. Additionally, Eli Lilly is obligated to pay us tiered royalties from 15% to 20% annually on sales made of fruquintinib in China and Hong Kong, the rate to be determined based upon the dollar amount of sales made for all products in that year. Under the terms of our 2018 amendment, upon the first commercial launch of fruquintinib in China in a new life cycle indication, these tiered royalties increased to 15% to 29%. Under the terms of our 2020 amendment, we and Eli Lilly share gross profits linked to sales target performance. Subject to meeting pre-agreed sales targets, Eli Lilly will pay us an estimated total of 70% to 80% of Elunate sales in the form of royalties, manufacturing costs and service payments.

Under the terms of our 2018 amendment, we are entitled to determine and conduct future life cycle indication development of fruquintinib in China beyond the three initial indications specified in the original Eli Lilly Agreement. After the 2018 amendment, we assumed responsibility for all development activities and costs for fruquintinib in China in new life cycle indications, and we have the liberty to collaborate with third-parties to explore

combination therapies of fruquintinib with various immunotherapy agents. Under the terms of our 2020 amendment, we took over development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities for Elunate in China.

We are responsible in consultation with Eli Lilly for the supply of, and have the right to supply, all clinical and commercial supplies for fruquintinib pursuant to an agreed strategy for manufacturing. For the term of the Eli Lilly Agreement, such supplies will be provided by us at a transfer price that accounts for our cost of goods sold.

The Eli Lilly Agreement is terminable by either party for breach that is uncured. The Eli Lilly Agreement is also terminable by Eli Lilly for convenience with 120 days' prior written notice or if there is a major unexpected safety issue with respect to a product. Termination by either us or Eli Lilly for any reason will have the effect of, among other things, terminating the applicable licenses granted by us, and will obligate Eli Lilly to transfer to us all regulatory materials necessary for us to continue development efforts for fruquintinib.

BeiGene

In May 2020, we entered into a clinical collaboration agreement with BeiGene to evaluate the safety, tolerability and efficacy of combining surufatinib and fruquintinib with BeiGene's anti-PD-1 antibody tislelizumab, for the treatment of various solid tumor cancers, in the United States, Europe, China and Australia. Under the terms of the agreement, we and BeiGene each plan to explore development of the combination of surufatinib with tislelizumab or fruquintinib with tislelizumab in different indications and regions. We have agreed to provide mutual drug supply and other support.

Inmagene

In January 2021, we and Inmagene entered into a strategic partnership to further develop four novel preclinical drug candidates (HMPL-A28, HMPL-727, HMPL-662 and HMPL-958) discovered by us for the potential treatment of multiple immunological diseases. We will work together to move the drug candidates towards IND submission. If successful, Inmagene will then move the drug candidates through global clinical development.

Under the terms of the agreement, we have granted Inmagene exclusive options to four drug candidates solely for the treatment of immunological diseases. If Inmagene exercises an option, it will have the right to further develop, manufacture and commercialize that specific drug candidate worldwide, while we retain first right to co-commercialization in China. For each of the drug candidates, we will be entitled to development milestones of up to US$95 million and up to US$135 million in commercial milestones, as well as up to double-digit royalties upon commercialization.

Other Collaborations

In October and November 2018, we entered into multiple collaborations to evaluate combinations of fruquintinib and surufatinib. These include a global collaboration with Innovent to evaluate the combination of fruquintinib with Tyvyt and a global collaboration with Junshi to evaluate the combination of surufatinib with Tuoyi. In September 2019, we expanded our global collaboration agreement with Innovent to evaluate the safety and efficacy of Tyvyt in combination with surufatinib.

OTHER VENTURES

Other Ventures is our large-scale, high-performance drug marketing and distribution platform covering about 320 cities and towns in China with approximately 4,800 manufacturing and commercial personnel as of December 31, 2020. Built over the past 20 years, it has been focused on the sale of prescription drug products and consumer health products conducted through the following entities:

Shanghai Hutchison Pharmaceuticals

Shanghai Hutchison Pharmaceuticals, our non-consolidated joint venture, primarily engages in the manufacture and sale of prescription drug products originally contributed by our joint venture partner, as well as third-party prescription drugs with a focus on cardiovascular medicine. Shanghai Hutchison Pharmaceuticals' proprietary products are sold under the "Shang Yao" brand, literally meaning "Shanghai pharmaceuticals," a trademark that has been used for over 37 years in the pharmaceutical retail market, primarily in Eastern China. In early 2019, Shanghai Hutchison Pharmaceuticals was awarded the 2018 State Scientific and Technological Progress Award – Second Prize, which was presented by President Xi Jinping, Premier Li Keqiang and other state leaders of the PRC at the National Science and Technology Awards Ceremony. This award was one of only two such awards given that year to studies in the botanical drug industry.

Its key product is She Xiang Bao Xin pills, a vasodilator for the long-term treatment of coronary artery and heart disease and for rapid control and prevention of acute angina pectoris, a form of chest pain. There are over one million deaths due to coronary artery disease per year in China. She Xiang Bao Xin pill is the third largest botanical prescription drug in this indication in China, with market share in 2020 of 18.2% (2019: 17.9%) nationally and 46.8% (2019: 50.0%) in Shanghai. She Xiang Bao Xin pills' sales represented 90.5% of all Shanghai Hutchison Pharmaceuticals sales in 2020.

She Xiang Bao Xin pills were first approved in 1983 and subsequently enjoyed 22 proprietary commercial protections under the prevailing regulatory system in China. In 2005, Shanghai Hutchison Pharmaceuticals was able to attain "Confidential State Secret Technology" status protection, as certified by China's Ministry of Science and Technology and State Secrecy Bureau, which extended proprietary protection in China until late 2016. The Science and Technology Commission of Shanghai Municipality has subsequently extended such protection.

Shanghai Hutchison Pharmaceuticals holds an invention patent in China covering its formulation, which extends proprietary protection through 2029. She Xiang Bao Xin pill is one of less than two dozen proprietary prescription drugs represented on China's National Essential Medicines List, which means that all Chinese state-owned health care institutions are required to carry it. She Xiang Bao Xin pill is fully reimbursed in all of China.

Shanghai Hutchison Pharmaceuticals manufactures its products at its 78,000 square meter production facility located in Feng Pu district outside the center of Shanghai. Shanghai Hutchison Pharmaceuticals holds 74 drug product manufacturing licenses, of which 17 are included in National Essential Medicines List, and three are in active production. The factory is operated by over 530 manufacturing staff.

As of December 31, 2020, Shanghai Hutchison Pharmaceuticals had a commercial team of about 2,200 medical sales representatives allowing for the promotion and scientific detailing of our products not just in hospitals in provincial capitals and medium-sized cities, but also in the majority of county-level hospitals in China. Shanghai Hutchison Pharmaceuticals, through its GSP-certified subsidiary, sells its products and its third-party licensed prescription drugs directly to distributors who on-sell such products to hospitals and clinics, pharmacies and other retail outlets in their respective areas, as well as to other local distributors. As of December 31, 2020, Shanghai Hutchison Pharmaceuticals engaged a group of approximately 650 primary distributors to cover China. These primary distributors in turn used over 2,600 secondary distributors to work directly with hospitals, on a local level, to manage logistics. Shanghai Hutchison Pharmaceuticals' own prescription drugs sales representatives promote its products to doctors and purchasing managers in hospitals, clinics and pharmacies as part of its marketing efforts. See "– *Sales and Marketing*" for further information relating to sales through our distributors.

Hutchison Sinopharm

Hutchison Sinopharm is our consolidated joint venture with Sinopharm. Based in Shanghai, Hutchison Sinopharm focuses on providing logistics services to, and distributing and marketing prescription drugs in China. As of December 31, 2020, Hutchison Sinopharm had a dedicated team of over 120 commercial staff focused on two key areas of operation – a commercial team that markets approximately 1,000 third-party prescription drug and other products directly to over 500 public and private hospitals in the Shanghai region and through a network of approximately 40 distributors to cover all other provinces in China, and a second commercial team that markets our Zhi Ling Tong infant nutrition brand through a network of over 29,000 promoters in over 7,500 outlets in China.

Since early 2015, Hutchison Sinopharm has been the exclusive marketing agent for Seroquel tablets in China. In June 2018, AstraZeneca sold and licensed its rights to Seroquel to Luye Pharma Group, Ltd., including its rights in China. The terms of our agreement with AstraZeneca were assigned to Luye Pharma Hong Kong Ltd., or Luye HK. In May 2019, we received a notice from Luye HK purporting to terminate our agreement. We believe that Luye HK has no basis for termination and have commenced confidential legal proceedings to seek damages which are ongoing as of the Latest Practicable Date and there will be no negative

material impact to the Group. During the Track Record Period, revenues from the distribution of Seroquel were US$29.2 million, US$7.3 million and nil for the years ended December 31, 2018, 2019 and 2020, respectively.

In 2019, we began building an in-house oncology commercial sales and marketing team at Hutchison Sinopharm to support the launch of certain of our innovative oncology drugs. By December 31, 2020, this team had grown to over 360 commercial sales and marketing staff.

During the Track Record Period, a substantial portion of Hutchison Sinopharm's sales were made directly to hospitals and clinics, with the remaining sales being made through distributors. As of December 31, 2020, Hutchison Sinopharm had approximately 590 customers of which approximately 6% were distributors, and the revenue generated from these distributors accounted for approximately 26% of the revenue of Hutchison Sinopharm for the financial year ended December 31, 2020. See "– *Sales and Marketing*" for further information relating to sales through our distributors.

Hutchison Baiyunshan

Hutchison Baiyunshan, our non-consolidated joint venture, focuses primarily on the manufacture, marketing and distribution of over-the-counter pharmaceutical products. Hutchison Baiyunshan's "Bai Yun Shan" brand is a market-leading household-name, established over 40 years ago and is known by the majority of Chinese consumers. As of December 31, 2020, Hutchison Baiyunshan held 185 registered drug licenses in China. In addition, 30 of Hutchison Baiyunshan's products, of which six are in active production, are represented on China's National Essential Medicines List. In addition to about 1,000 manufacturing staff in Guangdong and Anhui provinces, Hutchison Baiyunshan has a commercial team of about 900 sales staff that covers the national retail pharmacy channel in China.

Hutchison Baiyunshan's key products are two generic over-the-counter therapies:

- **Banlangen granules** – for the treatment of viral flu, fever, and respiratory tract infections which represented approximately 35.9% of the sales of Hutchison Baiyunshan in 2020; and

- **Fu Fang Dan Shen tablets** – generic over-the-counter drugs for the treatment of chest congestion and angina pectoris to promote blood circulation and relieve pain, which represented approximately 16.5% of the sales of Hutchison Baiyunshan in 2020.

Hutchison Baiyunshan's products are mainly manufactured in-house at facilities in Guangzhou, Guangdong province and Bozhou, Anhui province. Third-party contract manufacturers are also used. Hutchison Baiyunshan also operates cultivation sites through its subsidiaries for growing and sourcing the herbs used in its over-the-counter products in

Guangdong, Yunnan and Heilongjiang provinces in China. In addition, Hutchison Baiyunshan generates revenue by supplying raw materials produced by its cultivation operations to its collaboration partner, Guangzhou Pharmaceuticals.

Hutchison Baiyunshan sells its products directly to regional distributors across China who on-sell to local distributors, hospitals and clinics, pharmacies and other retailers, and employs its own sales representatives at a local level to market its products and promote over-the-counter sales to retailers.

In June 2020, Hutchison Baiyunshan entered into a land compensation agreement with the Guangzhou government for the return of its land use rights for an approximately 30,000 square meter unused plot of land in Guangzhou for cash compensation of up to approximately US$100 million. As of December 31, 2020, Hutchison Baiyunshan had surrendered the land use rights certificate for deregistration, had satisfied all major obligations under the land compensation agreement and received approximately US$40 million in compensation. Hutchison Baiyunshan is expected to receive approximately US$60 million in 2021. The land return had no impact on manufacturing operations, which continue to be conducted at larger sites in Guangzhou and Bozhou.

On March 24, 2021, we entered into a sale and purchase agreement with GL Mountrose Investment Two Limited, a company controlled and managed by GL Capital Group, to sell our entire investment in Hutchison Baiyunshan. The disposal is subject to regulatory approval in China and is expected to be completed in the second half of 2021.

Hutchison Hain Organic

Hutchison Hain Organic is a consolidated joint venture with Hain Celestial, a Nasdaq-listed, natural and organic food and personal care products company. Hutchison Hain Organic distributes a broad range of over 500 imported organic and natural products. Pursuant to its joint venture agreement, Hutchison Hain Organic has rights to manufacture, market and distribute Hain Celestial's products within nine Asian territories. We believe the key strategic product for Hutchison Hain Organic is Earth's Best organic baby products, a leading brand in the United States. Hutchison Hain Organic's other products are distributed to hypermarkets, specialty stores and other retail outlets in Hong Kong, China and across seven other territories in Asia mainly through third-party local distributors, including retail chains owned by affiliates of CK Hutchison.

Hutchison Healthcare

Hutchison Healthcare is our wholly-owned subsidiary and is primarily engaged in the manufacture and sale of health supplements. Hutchison Healthcare's major product is Zhi Ling Tong DHA capsules, a health supplement made from algae DHA oil for the promotion of brain and retinal development in babies and young children, which is distributed by Hutchison Sinopharm.

The majority of Hutchison Healthcare's products are contract manufactured at a dedicated and certified manufacturing facility operated by a third-party.

Hutchison Consumer Products

Hutchison Consumer Products is our wholly-owned subsidiary that is primarily engaged in the distribution of third-party consumer products in Asia.

PATENTS AND OTHER INTELLECTUAL PROPERTY

Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection for our Oncology/Immunology drugs and drug candidates, our Other Ventures' products and other know-how. Our policy is to seek to protect our proprietary and intellectual property position by, among other methods, filing patent applications in various jurisdictions related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position.

Patents

We and our joint ventures file patent applications directed to our Oncology/Immunology drugs and drug candidates and our Other Ventures' products in an effort to establish intellectual property positions with regard to new small molecule compounds and/or extracts of natural herbs, their compositions as well as their medical uses in the treatment of diseases. In relation to our Oncology/Immunology operations, we also file patent applications directed to crystalline forms, formulations, processes, key intermediates, and secondary uses as clinical trials for our drug candidates evolve. We file such patent applications in major market jurisdictions, including the United States, Europe, Japan and China as well as Argentina, Australia, Brazil, Canada, Chile, India, Indonesia, Israel, Mexico, Malaysia, New Zealand, Peru, the Philippines, Singapore, South Korea, Ukraine and South Africa.

Our Onocology/Immunology Patents

As of December 31, 2020, we had 235 issued patents, including 19 Chinese patents, 22 U.S. patents and 13 European patents, 155 patent applications pending in the above major market jurisdictions, and six pending PCT patent applications relating to the drugs and drug candidates of our Oncology/Immunology operations. The intellectual property portfolios for our most advanced drug candidates are summarized below. With respect to most of the pending patent applications covering our drug candidates, prosecution has yet to commence. Prosecution is a lengthy process, during which the scope of the claims initially submitted for examination by the relevant patent office is often significantly narrowed by the time when they issue, if they issue at all. We expect this to be the case for our pending patent applications referred to below.

Savolitinib – The intellectual property portfolio for savolitinib contains two patent families.

The first patent family for savolitinib is directed to novel small molecule compounds as well as methods of treating cancers with such compounds. As of December 31, 2020, we owned 48 patents in this family, including patents in China, the United States, Europe and Japan, and we had 15 patent applications pending in various other jurisdictions. Our European patent is also registered in Hong Kong. Our issued patents will expire in 2030.

The second patent family is directed to the method for the preparation of savolitinib. With respect to this family, we have PCT, Argentina and Taiwan applications pending, each of which, if issued, would have an expiration date in 2039. This patent family is co-owned by us and AstraZeneca.

Our collaboration partner AstraZeneca is responsible for maintaining and enforcing the intellectual property portfolio for savolitinib.

Surufatinib – The intellectual property portfolio for surufatinib contains five patent families.

The first patent family for surufatinib is directed to novel small molecule compounds as well as methods of treating tumor angiogenesis-related disorders with such compounds. As of December 31, 2020, in this patent family we owned one Chinese patent expiring in 2027 and 12 patents in various other jurisdictions, including the United States expiring in 2031, and Europe and Japan, each expiring in 2028. As of December 31, 2020, we also had one patent application pending in Brazil.

The second patent family is directed to the crystalline forms of surufatinib as well as methods of treating tumor angiogenesis-related disorders with such forms. As of December 31, 2020, in this patent family we owned two patents in China expiring in 2029 and 2030, respectively, and we owned 15 patents in other countries, including the United States which will expire in 2031 and Europe which will expire in 2030. As of December 31, 2020, we also had one patent application pending in Brazil.

The third patent family is directed to the formulation of a micronized active pharmaceutical ingredient used in surufatinib as well as methods of treating tumor angiogenesis-related disorders with such formulation. As of December 31, 2020, in this patent family, we owned three patents in Europe, Russia and Indonesia expiring in 2036. We also had 15 patent applications pending in various jurisdictions, including China, the United States and Japan, each of which, if issued, would have an expiration date in 2036.

The fourth patent family is directed to clinical indications of surufatinib. With respect to this patent family, we have four patent applications pending in China, the United States, Hong Kong and Japan, which, if issued, will each have expiration dates in 2036.

The fifth patent family is subject to confidential review by the patent authorities. With respect to this family, we had one patent application pending in China, which, if issued, would have an expiration date in 2040.

Fruquintinib – The intellectual property portfolio for fruquintinib contains five patent families.

The first patent family for fruquintinib is directed to novel small molecule compounds as well as methods of treating tumor angiogenesis-related disorders with such compounds. As of December 31, 2020, we owned three United States patents, one Chinese patent and one Taiwanese patent in this family, each of which will expire in 2028. We also owned patents in Europe and 14 other jurisdictions expiring in 2029 and had one patent application pending in Brazil.

The second patent family is directed to crystalline forms of fruquintinib as well as methods of treating tumor angiogenesis-related disorders with such forms. As of December 31, 2020, we owned 13 patents in this family in various jurisdictions, including the United States, China, Europe and Japan, each of which will expire in 2035, and we had 13 patent applications pending in various jurisdictions, including Brazil, Peru and Chile.

The third patent family is directed to the method of preparing one of the critical intermediates used in the manufacturing process of fruquintinib. With respect to this patent family, we have one patent in China, which has an expiration date in 2034.

The fourth patent family is directed to the pharmaceutical composition of fruquintinib. With respect to this family, we have one patent application pending in China, which, if issued, would have an expiration date in 2038. We also have PCT, Argentina and Taiwan applications pending for this family, which, if issued, would have an expiration date in 2039.

The fifth patent family is subject to confidential review by the patent authorities. With respect to this family, we had one patent application pending in China, which, if issued, would have an expiration date in 2040. This patent family is co-owned by us and Genor.

HMPL-523 Syk Inhibitor – The intellectual property portfolio for HMPL-523 contains two patent families.

The first patent family is directed to novel small molecule compounds as well as methods of treating cancers, inflammatory diseases, allergic diseases, cell-proliferative diseases, and immunological diseases with such compounds. As of December 31, 2020, we owned 22 patents in this family in various jurisdictions, including the United States, China and South Korea, each of which will expire in 2032. As of December 31, 2020, we also had three patent applications in this family pending in other jurisdictions.

The second patent family is directed to the salts of HMPL-523. As of December 31, 2020, in this patent family we had 22 patent applications pending in various jurisdications, including China, the United States, Europe and Taiwan, each of which, if issued, would have an expiration date in 2038.

HMPL-689 – The intellectual property portfolio for HMPL-689 contains two patent families.

The first patent family is directed to novel small molecule compounds as well as uses of such compounds. As of December 31, 2020, we owned 21 patents in this family in various jurisdictions, including China, the United States, Europe, Australia and Japan, each of which will expire in 2035. As of December 31, 2020, we also had six patent applications pending in this family in other various jurisdictions.

The second patent family is directed to crystalline forms of HMPL-689. With respect to this family, we had one patent application pending in China as of December 31, 2020, which, if issued, would have an expiration date in 2038. We also had 22 patent applications in this family pending in various jurisdictions, including China, the United States, Europe and Taiwan, each of which, if issued, would have an expiration date in 2039.

HMPL-453 – The intellectual property portfolio for HMPL-453 contains two patent families.

The first patent family is directed to novel small molecule compounds as well as methods of treating cancers with the compounds. As of December 31, 2020, we owned 21 patents in this family in various jurisdictions, including China, Europe, Japan and the United States, each of which will expire in 2034. As of December 31, 2020, we had four patent applications pending in other various jurisdictions.

The second patent family is subject to confidential review by the patent authorities. With respect to this family, we have PCT, Argentina and Taiwan applications pending, each of which, if issued, would have an expiration date in 2040.

HMPL-306 – The intellectual property portfolio for HMPL-306 contains one patent family.

The patent family is directed to novel small molecule compounds as well as methods of treating cancers with the compounds. As of December 31, 2020, in this patent family we had 24 patent applications pending in various jurisdictions, including China, the United States, Europe and Taiwan, each of which, if issued, would have an expiration date in 2038.

Epitinib – The intellectual property portfolio for epitinib contains two patent families.

The first patent family is directed to novel small molecule compounds as well as methods of treating cancers with such compounds. As of December 31, 2020, we owned two patents in China and Taiwan expiring in 2028, one patent in the United States expiring in 2031 and 14 patents in other jurisdictions, including Europe, each expiring in 2029.

The second patent family is directed to the salts and solvates of epitinib and crystalline forms thereof, as well as methods of treating cancers with such forms. As of December 31, 2020, we had one patent application pending in China in this family, which, if issued, would have an expiration date in 2038.

Theliatinib – The intellectual property portfolio for theliatinib contains three patent families.

The first patent family is directed to novel small molecule compounds as well as methods of treating cancers with such compounds. As of December 31, 2020, we owned 18 patents in this family in various jurisdictions, including China and Japan, each of which will expire in 2031. As of December 31, 2020, we also had one patent application in this family pending in Brazil. Our Chinese patent was also registered in Hong Kong and Macau.

The second patent family is directed to the crystalline forms of theliatinib as well as methods of treating cancers with such forms. As of December 31, 2020, we had one patent application pending in China in this family, which, if issued, will have an expiration date in 2037.

The third patent family is directed to the salts and solvates of theliatinib and crystalline forms thereof. With respect to this family, we have one Chinese application pending, which, if issued, would have an expiration date in 2038.

Other Ventures Patents

As of December 31, 2020, our joint venture Shanghai Hutchison Pharmaceuticals had 58 issued patents and 22 pending patent applications in China, including patents for its key prescription products described below.

She Xiang Bao Xin Pills. As of December 31, 2020, Shanghai Hutchison Pharmaceuticals held an invention patent in China directed to the formulation of the She Xiang Bao Xin pill. Under PRC law, invention patents are granted for new technical innovations with respect to products or processes. Invention patents in China have a maximum term of 20 years. This patent will expire in 2029. The "Confidential State Secret Technology" status protection on the She Xiang Bao Xin pill technology held by Shanghai Hutchison Pharmaceuticals, as certified by China's Ministry of Science and Technology and State Secrecy Bureau, is currently active.

Danning Tablets. As of December 31, 2020, Shanghai Hutchison Pharmaceuticals also held an invention patent in China directed to the formulation of the Danning tablet. This patent will expire in 2027.

Many of the products sold by our joint venture Hutchison Baiyunshan, including its Banlangen granules and Fu Fang Dan Shen tablets, are generic, over-the-counter products for which Hutchison Baiyunshan does not hold patents. As of December 31, 2020, Hutchison Baiyunshan had 80 issued patents and 26 pending patents in China, two PCT patents and one in Australia.

Patent Term

The term of a patent depends upon the laws of the country in which it is issued. In most jurisdictions, a patent term is 20 years from the earliest filing date of a non-provisional patent application. In the United States, a patent's term may be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the USPTO in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over an earlier filed patent. The term of a patent that covers a drug or biological product may also be eligible for patent term extension when FDA approval is granted, provided statutory and regulatory requirements are met. In the future, if and when our drug candidates receive approval by the FDA or other regulatory authorities, we expect to apply for patent term extensions on issued patents covering those drugs, depending upon the length of the clinical trials for each drug and other factors. There can be no assurance that any of our pending patent applications will be issued or that we will benefit from any patent term extension.

As with other pharmaceutical companies, our or our joint ventures' ability to maintain and solidify our proprietary and intellectual property position for our drugs and drug candidates or our or their products and technologies will depend on our or our joint ventures' success in obtaining effective patent claims and enforcing those claims if granted. However, our or our joint ventures' pending patent applications and any patent applications that we or they may in the future file or license from third parties may not result in the issuance of patents. We also cannot predict the breadth of claims that may be allowed or enforced in our or our joint ventures' patents. Any issued patents that we may receive in the future may be challenged, invalidated or circumvented. For example, we cannot be certain of the priority of filing covered by pending third-party patent applications. If third parties prepare and file patent applications in the United States, China or other markets that also claim technology or therapeutics to which we or our joint ventures have rights, we or our joint ventures may have to participate in interference proceedings, which could result in substantial costs to us, even if the eventual outcome is favorable to us, which is highly unpredictable. In addition, because of the extensive time required for clinical development and regulatory review of a drug candidate we may develop, it is possible that, before any of our drug candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby limiting protection such patent would afford the respective product and any competitive advantage such patent may provide.

Trade Secrets

In addition to patents, we and our joint ventures rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our or their competitive position. We and our joint ventures seek to protect our proprietary information, in part, by executing confidentiality agreements with our collaborators and scientific advisors, and non-competition, non-solicitation, confidentiality, and invention assignment agreements with our employees and consultants. We and our joint ventures have also executed agreements requiring assignment of inventions with selected scientific advisors and collaborators. The confidentiality agreements we and our joint ventures enter into are designed to protect our or our joint ventures' proprietary information and the agreements or clauses requiring assignment of inventions to us or our joint ventures, as applicable, are designed to grant us or our joint ventures, as applicable, ownership of technologies that are developed through our or their relationship with the respective counterpart. We cannot guarantee, however, that these agreements will afford us or our joint ventures adequate protection of our or their intellectual property and proprietary information rights.

Trademarks and Domain Names

We conduct our business using trademarks with various forms of the "Hutchison", "Chi-Med", "Hutchison China MediTech", "Hutchmed", "Elunate" and "Sulanda" brands, the logo used by Hutchison MediPharma, as well as domain names incorporating some or all of these trademarks. In April 2006, we entered into a brand license agreement (as amended and restated on June 15, 2021) with Hutchison Whampoa Enterprises Limited, an indirect wholly-owned subsidiary of CK Hutchison, pursuant to which we have been granted a non-exclusive, non-transferrable, royalty-free right to use the "Hutchison", "Hutchison China MediTech", "Chi-Med", "Hutchmed" trademarks, domain names and other intellectual property rights owned by the CK Hutchison group in connection with the operation of our business worldwide. See *"Connected Transactions"* for further details. The Elunate trademark is licensed to us in China by our collaboration partner Eli Lilly. The trademarks for the Hutchison MediPharma logo and "Sulanda" are owned by us.

In addition, our joint ventures seek trademark protection in China for their products. As of December 31, 2020, our joint ventures Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan owned a total of 316 trademarks in the aggregate related to products sold by them. For example, the name "Shang Yao" is a registered trademark of Shanghai Hutchison Pharmaceuticals in China for certain uses including pharmaceutical preparations. In addition, our joint venture Hutchison Baiyunshan has been granted a royalty-free license to use the registered trademark "Bai Yun Shan" for a term equal to its operational period of the joint venture by Guangzhou Baiyunshan.

RAW MATERIALS AND SUPPLIES

Raw materials and supplies are ordered based on our or our joint ventures' respective sales plans and reasonable order forecasts and are generally available from our or our joint ventures' own cultivation operations and various third-party suppliers in quantities adequate to meet our needs. We typically order raw materials on short-term contract or purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

For our Oncology/Immunology operations, the active pharmaceutical ingredient used in our drug candidates are supplied to us from third-party vendors. Our ability to successfully develop our drug candidates, and to ultimately supply our commercial drugs in quantities sufficient to meet the market demand, depends in part on our ability to obtain the active pharmaceutical ingredients for these drugs in accordance with regulatory requirements and in sufficient quantities for commercialization and clinical testing.

We generally aim to identify and qualify one or more manufacturers to provide such active pharmaceutical ingredients prior to submission of an NDA to the FDA and/or NMPA. We contract with a single supplier to manufacture and supply us with the active pharmaceutical ingredient for fruquintinib for commercial purposes and are in the process of engaging a second supplier. We have already validated the second supplier's cGMP production processes and submitted an application for its approval to the NMPA. We also contract with a single supplier to manufacture and supply us with the active pharmaceutical ingredient for surufatinib for commercial purposes. We manage the risk of price fluctuations and supply disruptions of active pharmaceutical ingredients by purchasing them in bulk quantities as these ingredients have a relatively long shelf life. Other than the foregoing, we do not currently have arrangements in place for a contingent or second-source supply of the active pharmaceutical ingredients for fruquintinib or surufatinib in the event any of our current suppliers of such active pharmaceutical ingredients cease their operations for any reason, which may lead to an interruption in our production. However, to date, while we have experienced price fluctuations associated with our raw materials, we have not experienced any material disruptions in the supply of the active pharmaceutical ingredients or the other raw materials we and our joint venture partners use. See "*Risk Factors – Risks Relating to Sales of our Internally Developed Drugs and other Drugs – Certain of our joint ventures' principal products involve the cultivation or sourcing of key raw materials including botanical products, and any quality control or supply failure or price fluctuations could adversely affect our ability to manufacture our products and/or could materially and adversely affect our operating results.*" and "*Risk Factors – Risks Relating to Our Dependence on Third Parties – The third-party vendors upon whom we rely for the supply of the active pharmaceutical ingredients used in some of our drug candidates and drug products are our sole source of supply, and the loss of any of these suppliers could significantly harm our business.*"

CROs

Although we or our collaboration partners design the clinical trials for our drug candidates, CROs conduct most of the clinical trials. Our agreements with CROs are usually structured as master service agreements which set out the services to be performed, payment schedule, term and confirmation that all intellectual rights arising out of or made in performance of the services are owned by us. We and our collaboration partners work with major global and Chinese CROs.

PRODUCTION

Our and our joint ventures' manufacturing operations consist of bulk manufacturing and formulation, fill, and finishing activities that produce products and drug candidates for both clinical and commercial purposes. Our and our joint ventures' manufacturing capabilities have a large operation scale for our own-brand products. We and our joint ventures manufacture and sell about 4.9 billion doses of medicines a year, in the aggregate, through our well-established GMP manufacturing base.

The principal products sold by our Other Ventures are mainly produced at our joint ventures' manufacturing facilities in Shanghai, Guangzhou and Bozhou, China. Our commercial supplies of fruquintinib and surufatinib are manufactured at our GMP-certified production facility in Suzhou, China, which has a maximum production capacity of 50 million tablets and capsules per year. During the Track Record Period, we produced 26.2 million tablets and capsules. We have commenced construction of a large-scale manufacturing plant for innovative drugs in Shanghai. The Shanghai factory is expected to be completed in 2025 and will be our largest manufacturing facility, with production capacity estimated to be five times that of our facility in Suzhou. The first phase will be primarily for small molecule production, with production capacity expected to be able to produce 250 million tablets and capsules per year.

Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements governing recordkeeping, manufacturing processes and controls, personnel, quality control and quality assurance, among others. Our manufacturing facilities and the contract manufacturing organizations we use to manufacture our drugs and drug candidates operate under cGMP conditions. cGMP are regulatory requirements for the production of pharmaceuticals that will be used in humans.

CUSTOMERS AND SUPPLIERS

In the financial years ended December 31, 2018, 2019 and 2020, we generated revenue of US$75.8 million, US$75.7 million and US$102.3 million from our five largest customers, respectively. For the financial years ended December 31, 2018, 2019 and 2020, revenue from our five largest customers represented approximately 35%, 37% and 45% of our total revenue, respectively, and revenue from our largest customer in those periods represented approximately 11%, 13% and 16% of our revenue in the same periods, respectively. Save for Sinopharm, our

five largest customers were independent third parties and none of our Directors or their close associates or, to the knowledge of our Directors, any Shareholder who owned more than 5% of our issued Shares had any interest in any of our five largest customers as of the Latest Practicable Date.

During the Track Record Period, Sinopharm, which will be a connected person of the Company from the Listing, was one of our five largest customers. Sales to Sinopharm and/or its associates contributed 12%, 14% and 16% of the Group's revenue in 2018, 2019 and 2020, respectively. Purchases from Sinopharm and/or its associates contributed less than 1% of the Group's total purchases in 2018, 2019 and 2020, respectively. See "*Connected Transactions*" for details of historical transaction amounts of our transactions with Sinopharm.

In the financial years ended December 31, 2018, 2019 and 2020, the total purchases from our five largest suppliers were US$57.2 million, US$46.8 million and US$58.0 million, respectively. For the financial years ended December 31, 2018, 2019 and 2020, our purchases from our five largest suppliers represented less than 20% of our total purchases. Save for Shanghai Hutchison Pharmaceuticals and Hain Celestial, all of our five largest suppliers were independent third parties and none of our Directors or their close associates or, to the knowledge of our Directors, any Shareholder who owned more than 5% of our issued Shares had any interest in any of our five largest suppliers as of the Latest Practicable Date.

QUALITY CONTROL AND ASSURANCE

We have our own independent quality control system and devote significant attention to quality control for the designing, manufacturing and testing of our products. We have established a strict quality control system in accordance with the NMPA regulations. Our laboratories fully comply with the Chinese manufacturing guidelines and are staffed with highly educated and skilled technicians to ensure quality of all batches of product release. We monitor in real time our operations throughout the entire production process, from inspection of raw and auxiliary materials, manufacture, delivery of finished products, clinical testing at hospitals, to ethical sales tactics. Our quality assurance team is also responsible for ensuring that we are in compliance with all applicable regulations, standards and internal policies. Our senior management team is actively involved in setting quality policies and managing internal and external quality performance of our Company and our non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan.

CERTIFICATES AND PERMITS

We are required to obtain and renew certain certificates and permits for our business operations. See *"Appendix IV – Regulatory Overview and Taxation"* for more information.

Hutchison MediPharma (Suzhou) Limited holds a pharmaceutical manufacturing permit issued by its local regulatory authority expiring on September 13, 2025. It also holds a GMP certificate issued by its local regulatory authority expiring on September 16, 2023.

Hutchison Sinopharm holds a pharmaceutical trading license issued by its local regulatory authority expiring on July 30, 2024. Hutchison Sinopharm also holds a GSP certificate issued by its local regulatory authority which expires on July 30, 2024.

Shanghai Hutchison Pharmaceuticals holds a pharmaceutical manufacturing permit from its local regulatory authorities expiring on December 31, 2025. Shanghai Hutchison Pharmaceuticals also holds three GMP certificates issued by its local regulatory authority. The three GMP certificates will expire on August 14, 2021, November 16, 2021 and December 3, 2022, respectively.

Shanghai Shangyao Hutchison Whampoa GSP Company Limited, a subsidiary of Shanghai Hutchison Pharmaceuticals, holds a pharmaceutical trading license from its local regulatory authority expiring on November 17, 2024. It also holds a GSP certificate issued by its local regulatory authority expiring on November 17, 2024.

Hutchison Baiyunshan holds a pharmaceutical manufacturing permit issued by its local regulatory authority expiring on November 26, 2025. Hutchison Baiyunshan also holds a GMP certificate issued by its local regulatory authority expiring on December 11, 2023.

Hutchison Whampoa Guangzhou Baiyunshan Pharmaceuticals Limited, a subsidiary of Hutchison Baiyunshan, holds a GSP certificate issued by its local regulatory authority expiring on October 14, 2024. It also holds a pharmaceutical trading license issued by its local regulatory authority expiring on November 5, 2024.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine (Bozhou) Company Limited, a subsidiary of Hutchison Baiyunshan, holds a GMP certificate issued by its local regulatory authority expiring on January 18, 2022. It also holds a pharmaceutical manufacturing license issued by its local regulatory authority expiring on December 31, 2025.

Hutchison Whampoa Baiyunshan Lai Da Pharmaceutical (Shan Tou) Company Limited, a subsidiary of Hutchison Baiyunshan, holds a pharmaceutical manufacturing license issued by its local regulatory authority expiring on October 25, 2025.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite certificates, permits and approvals that are material for our operations, and all of such certificates, permits and approvals were within their respective effective periods. We did not experience any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to maintenance and renewal of our material licenses, permits and approvals.

EMPLOYEES

As of December 31, 2018, 2019 and 2020, we had 714, 853 and 1,280 full-time employees, respectively. None of our employees are represented by labor unions or covered by collective bargaining agreements. As of the Latest Practicable Date, we have not experienced any strikes or labor disputes which had a material effect on our business and consider our relations with our employees to be good. The number of employees by function as of December 31, 2018, 2019 and 2020 was as follows:

	2018	2019	2020
By Function:			
Oncology/Immunology	418	500	643
Other Ventures[(1)]	267	315	594
Corporate Head Office	29	38	43
Total	714	853	1,280

Note:

(1) Hutchison Sinopharm employees are categorized under the Other Ventures function.

Additionally, under our Other Ventures operations, our joint venture Shanghai Hutchison Pharmaceuticals employed a total of 2,898 full time employees, and Hutchison Baiyunshan employed a total of 1,700 full time employees and 1,864 outsourced contract staff, who are mostly sales representatives and manufacturing employees, as of December 31, 2020. Their employees are represented by labor unions and covered by collective bargaining agreements.

As of the Latest Practicable Date, neither Shanghai Hutchison Pharmaceuticals nor Hutchison Baiyunshan has experienced any strikes, labor disputes or industrial actions which had a material effect on their business, and consider their relations with the union and their employees to be good.

PROPERTY, PLANT AND EQUIPMENT

We are headquartered in Hong Kong where we have our main administrative offices.

We rent and operate a 2,107 square meter GMP-certified manufacturing facility for fruquintinib and surufatinib in Suzhou, Jiangsu Province in Eastern China, and own a 5,024 square meter facility in Shanghai which houses research and development operations. We lease 7,036 square meters of office space in Shanghai which houses Hutchison MediPharma's management and staff. In 2020, we entered into a 50-year land use rights agreement for a 28,771 square meter site in Shanghai. We have commenced construction of a new almost 55,000 square meter large-scale manufacturing facility for innovative drugs on the site.

We also lease a 26,989 square foot facility in Florham Park, New Jersey where we house our U.S.-based clinical, regulatory and commercial management and staff.

Our non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, operate two large-scale research and development and manufacturing facilities for which they have obtained land use rights and property ownership certificates.

Shanghai Hutchison Pharmaceuticals relocated to its current facility outside of Shanghai in September 2016, and it has an aggregate site area of approximately 78,000 square meters (compared to approximately 58,000 square meters for its old facility located in Shanghai). Shanghai Hutchison Pharmaceuticals agreed to surrender its land use rights for the property where its old production facility was located to the Shanghai government for cash consideration. The total cash and subsidies paid by the Shanghai government to Shanghai Hutchison Pharmaceuticals was approximately US$113 million, including approximately US$101 million for land compensation and US$12 million in government subsidies related to research and development projects.

Hutchison Baiyunshan's facilities are in Guangzhou on a 59,000 square meter site and Bozhou on a 230,000 square meter site. In 2020, Hutchison Baiyunshan surrendered for deregistration its land use rights for an unused portion of its Guangzhou property to the local government for cash consideration. Hutchison Baiyunshan also operates cultivation sites through its subsidiary in Heilongjiang province in China.

See "– *Other Ventures – Shanghai Hutchison Pharmaceuticals*" and "– *Other Ventures – Hutchison Baiyunshan*" for more details on the new facilities of Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan mentioned above.

SALES AND MARKETING

For our Oncology/Immunology operations, our oncology drug sales team in China comprised about 390 staff as of December 31, 2020 (which has expanded to about 520 as of the Latest Practicable Date) to support the commercialization of Elunate, Sulanda and our other innovative drugs, if approved, throughout China. Our oncology drug sales team has the capability to cover over 2,500 oncology hospitals and over 20,000 oncology physicians in China, a network that we estimate represents over 90% of oncology drug sales in China.

For our Other Ventures operations, our in-house sales and marketing team as well as sales representatives of our joint ventures' prescription drugs business directly market and promote prescription drugs and other products to hospitals, clinics, pharmacies and other customers. As of December 31, 2020, Shanghai Hutchison Pharmaceuticals and Hutchison Sinopharm operated a network of approximately 2,300 medical sales representatives covering over 25,300 hospitals in about 320 cities and towns in China.

As is common in the PRC pharmaceutical industry, sales of oncology drugs, other prescription drugs and other products are carried out through third-party distributors. Shanghai Hutchison Pharmaceutical and Hutchison Baiyunshan, both of which are non-consolidated joint ventures of our Company, primarily conduct sales of their products through third-party distributors, while Hutchison Sinopharm, a consolidated joint venture of our Company, relies primarily on direct sales to hospitals and clinics and to a lesser extent on third-party distributors.

We select our distributors based on their business qualifications and marketing capabilities, such as distribution network, customer portfolio, number of sales personnel, credit record, financial strength, market position, logistics, compliance standard and past performance. We also check the qualification of our distributors to ensure that they have obtained the necessary permits, licenses and certifications for the distribution of relevant products, including drug operation permits and GSP certifications.

Our relationship with our distributors is that of seller and buyer and not principal and agent. Legal title to the products as well as all significant risks and rewards associated with the products are transferred to the distributors upon sale. We have no ownership or management control over our distributors.

We enter into distribution agreements with our distributors. While specific terms vary from distributor to distributor, in summary, the key terms of our typical distribution agreements are as follows:

Duration:	Typical term of 12 months, subject to termination by us in certain circumstances, such as breach of applicable law by the distributor.
Rights and obligations of parties involved and geographic or other exclusivity:	The distributor is generally authorized to sell the specified products only within the designated geographical area set out in the distribution agreement and is prohibited from selling the products outside the designated geographical area without our prior consent.
Sales and pricing policies:	The distributor is typically required to sell the products at a price which is not less than the price set out in the price list. Consistent with pharmaceutical industry practice, we offer a discount or rebate if certain sales targets are achieved.
Obsolete stock and products return arrangements:	The distributor is generally not permitted to return products to us unless the products are defective.

Minimum purchase amounts/sales targets:	The distributor is generally not required to purchase a minimum amount of the products but the distribution agreement will generally set out sales targets to be achieved by the distributor.
Sales and inventory reports and estimates:	The distributor is generally required to provide us with monthly reports on sales volumes and inventory levels of the products.
Payment and credit terms:	The distributor is typically required to pay for the products at the time the order is made. We may extend a credit period of up to 90 days for some distributors.

To the best of our knowledge, during the Track Record Period, we did not experience any material non-compliance by our distributors with respect to the terms and conditions of our distribution agreements.

We actively monitor the performance of our distributors, and our distributors are generally required to provide us with periodic market information related to our products that they distribute. Sales returns are only accepted with the requisite approvals from relevant departmental managers. We regularly monitor the inventory level of our distributors in order to identify any unusual inventory levels and the volume of relevant products the distributor resells to hospitals and other medical institutions, which allows us to manage the risk of channel stuffing. Our sales representatives regularly communicate with target hospitals and retail pharmacies as part of our efforts to assess the performance of our distributors. Our distributors generally may not return any unsold products (except for defective products). We regularly monitor the level of sales returns in order to identify and investigate any unusual or material issues. During the Track Record Period, sales returns in our Other Ventures operations were immaterial and accounted for less than 0.5% of the revenue generated by our Other Ventures operations, and there were no sales returns in our Oncology/Immunology operations. We consider that these internal control measures are sufficient to mitigate the risk of channel stuffing for our distributors.

See "*Risk Factors – Risks Relating to Our Dependence on Third Parties – We and our joint ventures rely on our distributors for logistics and distribution services.*"

In China, prices of pharmaceutical products are regulated by the government to ensure that drugs are offered at affordable prices. In June 2015, the Chinese government abolished the 15-year-old government-led pricing system for drugs, and lifted the maximum retail price requirement for most drugs, including drugs reimbursed by government medical insurance funds, patented drugs, and some other drugs. The government regulates prices mainly by establishing a consolidated procurement mechanism, restructuring medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

In China, generic prescription drugs must go through a centralized procurement process in the form of government-administered public tenders organized on a provincial or municipal basis in order to be commercially available at public medical institutions owned by the government or owned by state-owned or controlled enterprises. Assessment of the bids takes a number of factors into consideration, including but not limited to bid price, product quality, clinical effectiveness, product safety, level of technology, qualifications and reputation of the manufacturer, after-sale services and innovation. As a result, the prices of our generic prescription drugs under our Other Ventures segment are affected by the bidding process. In addition, in order for our generic prescription drugs to be included in the NRDL and critical illness insurance reimbursement listings, we are subject to price negotiation with the Ministry of Human Resources and Social Security and the relevant authorities at provincial level.

INSURANCE

We maintain insurance policies based on the assessment of our operational needs and industry practice and believe the coverage of the insurance obtained by us is adequate and consistent with the industry norm for our business and operations. Our principal insurance policies cover product liability for fruquintinib, surufatinib, certain prescription drugs and health supplements, property loss due to accidents or natural disasters and adverse events in clinical trials. We do not maintain "key person" insurance. See "*Risk Factors – Other Risks and Risks Relating to Doing Business in China – Product liability claims or lawsuits could cause us, our collaborators or our joint ventures to incur substantial liabilities.*" and "*Risk Factors – Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates – Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.*"

INTERNAL CONTROL AND RISK MANAGEMENT

We have established and maintained risk management and internal control policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these policies and procedures. We have adopted and implemented comprehensive risk management policies in various aspects.

Financial Reporting Risk Management

As a public company in the United States, we are subject to the Sarbanes-Oxley Act, together with rules implemented by the SEC, and applicable market regulators. The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control for financial reporting and disclosure controls and procedures. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree

of compliance with the policies or procedures may deteriorate. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assesses the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework) in order to report on the effectiveness of our internal control over financial reporting and describe any material weakness in internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. The effectiveness of our internal control over financial reporting is also tested by our independent registered public accounting firm on an annual basis.

Audit Committee Oversight

Our Audit Committee reviews the effectiveness of our internal control and financial reporting risk management and reviews the policies and procedures for the identification, assessment and reporting of financial and non-financial risks and our management of those risks in accordance with the requirements of the Sarbanes-Oxley Act and other applicable laws, rules and regulations and the applicable requirements of any stock exchange.

Information Security Policy

Our Board has adopted an information security policy to define and help communicate the common policies for information confidentiality, integrity and availability to be applied to the Group and our joint ventures. The purpose of the information security policy is to ensure business continuity by preventing and minimizing the impact of security risks within our company and our joint ventures. Our information security policy applies to all of our and our joint ventures' business entities across all countries. It applies to the creation, communication, storage, transmission and destruction of all different types of information. It applies to all forms of information, including but not limited to electronic copies, hardcopy, and verbal disclosures whether in person, over the telephone, or by other means.

During the Track Record Period and up to the Latest Practicable Date, we do not believe that we have experienced any material information leakage or loss of sensitive data.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We regularly organize internal training sessions conducted by senior employees or outside consultants on topics of interest. Our long term goal is to further increase the number of trainings available to all employees as well as measure the success of the trainings.

Our Board has adopted a Code of Ethics to set standards for our directors, officers and employees as are reasonably necessary to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (ii) full, fair, accurate, timely and understandable disclosure in the reports and

documents that we file or submit to the applicable stock exchanges, and in any other public communications; (iii) compliance with applicable governmental and regulatory laws, rules, codes and regulations; (iv) prompt internal reporting of any violations of the code of ethics; and (v) accountability for adherence to the code of ethics.

To safeguard against any corruption with the Group, we also have in place an Anti-Bribery and Anti-Corruption Policy, which explains potential corrupt conduct and our anti-corruption measures. The policy imposes restrictions on, among other things, giving or receiving business gifts and hospitality to or from business partners, and each company within our Group has procedures in place for documenting and recording any such business courtesies outside the normal course of business and for employees to report any business courtesies they are offered or receive to a supervisor who then reports it to our management. In addition, it prohibits any employee from using any funds or assets of our Group for political or charitable contributions.

Each of our business units, including our joint ventures, is required to comply with our Anti-Bribery and Anti-Corruption Policy, and they have certain policies, procedures and controls at an entity-level to ensure compliance. Our Anti-Bribery and Anti-Corruption Policy also includes guidelines on the procurement of goods and services by our Group and other business partners which require, among other things, that appropriate levels of diligence are conducted by our personnel in the selection and renewal of new and existing contractors and suppliers and other business partners (such as a joint venture partner) commensurate with the bribery risk associated with a particular relationship. The policy further requires that our business partners and any third parties engaged by our Group be made aware of this policy, all fees and expenses paid to such third parties represent appropriate and justifiable remuneration, which is commercially reasonable under the circumstances, for legitimate services rendered, and we maintain accurate financial records of all payments made and received by us. Moreover, with respect to our sales, each of our distributors is required to enter into a sales or distribution agreement which contains anti-bribery and anti-corruption provisions applicable to the distributor as well as their acknowledgement of our Anti-Bribery and Anti-Corruption Policy.

Compliance with our Anti-Bribery and Anti-Corruption Policy is subject to ongoing review and checking by our internal compliance team which also conducts regular training for our personnel regarding such policy. Our training programs aim to enhance regulation compliance awareness among our employees and summarize the risk points where corruption is likely to occur in the pharmaceutical industry.

Our Board has also adopted a Complaints Procedures, which are anonymous whistle-blowing systems, such as complaint hotlines and e-mail boxes, for the confidential receipt, retention, and treatment of complaints from, or concerns raised by, employees regarding accounting, internal accounting controls and auditing matters as well as illegal or unethical matters. The Complaint Procedures are reviewed by the Audit Committee from time to time as warranted to ensure their continuing compliance with applicable laws and listing standards as well as their effectiveness. Any complaints received are reviewed and investigated and, if warranted, reported to the chairman of our Audit Committee.

In addition to the foregoing, on a semi-annual basis an internal controls assessment is completed by our Group, as well as our joint ventures, which assesses the effectiveness of internal controls with respect to anti-bribery and anti-corruption measures. Fraud risk assessments are included as part of the foregoing, including assessing various process level controls of each department such as finance, purchase, production, marketing and sales, warehouse, human resources, information technology and research and development. Upon completion of the assessment, our management consolidates the results and investigates any irregularities or exceptions.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our Board and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

ENVIRONMENTAL, WORKPLACE, HEALTH AND SAFETY MATTERS

We and our joint ventures are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We and our joint ventures are therefore subject to PRC laws and regulations concerning the discharge of waste water, gaseous waste and solid waste during our manufacturing processes. We and our joint ventures are required to establish and maintain facilities to dispose of waste and report the volume of waste to the relevant government authorities, which conduct scheduled or unscheduled inspections of our facilities and treatment of such discharge. We and our joint ventures generally contract with third parties for the disposal of these materials and wastes. In addition, we have adopted policies and procedures to instill a culture of environmental management, and our joint venture Shanghai Hutchison Pharmaceuticals has earned ISO 14001 certification (environmental management) and ISO 50001 certification (energy management). Moreover, to help ensure our preparedness and resilience in the event of an environmental incident or emergency, such as fire or leakage of hazardous waste, we have developed an Emergency Plan for Environmental Incidents which is designed to cover risks analysis, internal warning mechanisms, and emergency plans and responses for our Company and our subsidiaries. Our goal is for such plan to enable relief work and contingency arrangements to be made efficiently and effectively. See "*Risk Factors – Other Risks and Risks Relating to Doing Business in China – If we or our joint ventures fail to comply with environmental, health and safety laws and regulations, we or they could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business*."

We also consider the potential impact of our operations on climate change. To mitigate such impact, we actively explore options for greener manufacturing and operations. For example, our manufacturing facility in Suzhou features equipment and technology that provides purified air conditioning, purified water production, compressed air and an environmental monitoring system. In addition, a new management strategy, named "the three parallels", has been adopted by us. This means that when facilities or installations are planned, measures to prevent pollution and emissions must be included in the (i) design, (ii) construction, and (iii) operation phases in tandem with the principal project.

We focus on protecting the occupational health and safety (OHS) of our employees at work, especially in laboratories and facilities. Our internal Environment, Health and Safety unit offers regular OHS training, ensures that we communicate and engage with employees on related issues, and reviews and improves our safety measures, facilities, equipment and overall infrastructure. We carry out daily, monthly and unscheduled inspections of our laboratories and their safety measures. To continually improve awareness of OHS, safety training and education are tailored and provided for all personnel. Before beginning their roles, new hires are required to attend workshop-level and on-the-job safety training. In particular, personnel handling hazardous chemicals must receive appropriate training and pass assessments specific to those tasks. Every year, they are trained again to update their OHS qualifications. Furthermore, our laboratories internally disseminate information on safety, environmental protection, regulations and policies from time to time to maintain a high level of awareness among frontline personnel.

We also endorse and support the proposition that "enterprises should give back to society and bear social responsibility". As part of this endeavor, among other activities, we and Shanghai Hutchison Pharmaceuticals have jointly made donations to the Shanghai Charity Foundation to support frontline work towards COVID-19 prevention and control in Hubei Province. In addition, Shanghai Hutchison Pharmaceuticals have donated thermometers to Fengxian District, Shanghai, to support local COVID-19 prevention work. Separately, we have paid visits to various schools under the Shanghai Hutchison Pharmaceuticals School Bookroom project – a national public welfare project launched in 2010 with a theme of "passing knowledge and lighting hope," by which we aim to support the learning and development of primary and secondary school children living in remote areas, ethnic minority areas and rural areas. We have also built a number of book rooms in various provinces or cities, encouraging children's comprehension of books and exploration of knowledge.

In addition to the foregoing, we have adopted a Code of Ethics and Anti-Bribery and Anti-Corruption Policy which are described above under the heading "– *Human Resources Risk Management*".

During the Track Record Period and up to the Latest Practicable Date, the Group has not had any material non-compliance and has not been subject to any fines or other penalties due to material noncompliance with health, safety or environmental regulations.

We plan to adopt and implement additional policies on environment, social and governance consistent with industry standards and in compliance with the requirements of the Listing Rules within a period of 12 months from the Listing. For example, we plan to establish a sustainability committee to oversee management and advise the Board on the development and implementation of the corporate social responsibility and sustainability initiatives of the Group, which committee will operate pursuant to a written charter. Moreover, we plan to establish additional internal training programs on environment, social and governance compliance requirements, regulatory updates and practicable points to our employees within a period of 12 months from the Listing.

LEGAL AND REGULATORY MATTERS AND COMPLIANCE

Legal Proceedings

From time to time, we may become subject to legal proceedings and claims in the ordinary course of our business, including claims of alleged infringement of patents and other intellectual property rights. As of the Latest Practicable Date, there were no legal or arbitration proceedings pending or, to our knowledge, threatened against us that could have a material adverse effect on our financial condition or results of operations.

Relevant Key Laws and Regulations

A summary of the relevant key laws and regulations in the PRC and the United States which are applicable to our business is set out in "*Appendix IV – Regulatory Overview and Taxation.*"

Compliance with Laws and Regulations

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations.

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as at and for the years ended December 31, 2018, 2019 and 2020, including the notes thereto, set out in "Appendix I – Accountant's Report." Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance.

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Responsibility Statement and Forward-looking Statements."

Pursuant to Rule 19.18 of the Listing Rules, the Stock Exchange has allowed us to prepare the Accountant's Report set out in Appendix I in conformity with U.S. GAAP, provided that a reconciliation of such financial information in accordance with IFRS is included in this prospectus. In addition, the Stock Exchange has allowed us to prepare our accounts in accordance with U.S. GAAP after the Listing for the purposes of our financial reporting required under the Listing Rules, subject to the condition that our annual reports should include a reconciliation of our financial statements in accordance with IFRS in the form adopted in Appendix I to this prospectus. In addition, the Stock Exchange has imposed the condition that we will be required to revert to IFRS or Hong Kong Financial Reporting Standards should we no longer maintain a listing on Nasdaq.

OVERVIEW

We are a global commercial-stage biopharmaceutical company focused on the discovery, development and commercialization of targeted therapies and immunotherapies for the treatment of patients with cancer and immunological diseases. We conduct our business through our Oncology/Immunology and Other Ventures operations.

Through our Oncology/Immunology operations, our team of approximately 680 scientists and staff has created and developed a deep portfolio of ten drug candidates. In China, we have brought two of our internally developed drugs, fruquintinib (Elunate) and surufatinib (Sulanda), to patients, and we have filed for marketing authorization for a third, savolitinib. All three drugs are also in late-stage development outside of China, with the most advanced being surufatinib for which we completed the rolling submission of NDA in the United States. We have seven additional drug candidates in earlier stage clinical development (Phase I/Ib and Phase Ib/II proof-of-concept studies) and several advanced preclinical drug candidates. These drug candidates are being developed to treat a wide spectrum of diseases, including solid tumors, hematological malignancies and immunological diseases which we believe may address unmet medical needs and represent large commercial opportunities. Our success in research and development has led to partnerships with leading global pharmaceutical

companies, including AstraZeneca and Eli Lilly. We and our collaboration partners have invested over US$970 million in our Oncology/Immunology operations as of December 31, 2020, with almost all of these funds used for research and development expenses for the development of our drug candidates. Net loss attributable to our Company from our Oncology/Immunology operations was US$102.4 million, US$127.4 million and US$175.5 million for the years ended December 31, 2018, 2019 and 2020, respectively.

In addition, we have built large-scale and profitable drug marketing and distribution capabilities through the joint ventures and subsidiaries in our Other Ventures, which primarily manufacture, market and distribute prescription drugs and consumer health products in China. Net income attributable to our Company generated from our Other Ventures was US$41.4 million, US$41.5 million and US$72.8 million for the years ended December 31, 2018, 2019 and 2020, respectively. In addition to helping to fund our Oncology/Immunology operations, we are able to utilize the know-how from our Other Ventures to support the launch of our internally developed Oncology/Immunology products in China. Our Other Ventures also include our businesses focused on consumer health products, which is a profitable and cash flow generating business selling primarily over-the-counter pharmaceutical products (through our non-consolidated joint venture Hutchison Baiyunshan) and a range of health-focused consumer products.

Our consolidated revenue was US$214.1 million, US$204.9 million and US$228.0 million for the years ended December 31, 2018, 2019 and 2020, respectively. Net loss attributable to our Company was US$74.8 million, US$106.0 million and US$125.7 million for the years ended December 31, 2018, 2019 and 2020, respectively.

BASIS OF PREPARATION

Our consolidated statements of operations data presented herein for the years ended December 31, 2018, 2019 and 2020 and our consolidated balance sheet data presented herein as of December 31, 2018, 2019 and 2020 have been derived from our audited consolidated financial statements, which were prepared in accordance with U.S. GAAP as set out in Appendix I to this prospectus, and should be read in conjunction with those statements which are included elsewhere in this prospectus.

We have two strategic operations, Oncology/Immunology and Other Ventures, that offer different products and services. Our Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan joint ventures under our Other Ventures operations and our Nutrition Science Partners joint venture (until December 9, 2019 when it was purchased by us and became our consolidated subsidiary) under our Oncology/Immunology operations are accounted for under the equity accounting method as non-consolidated entities in our consolidated financial statements, and their consolidated financial statements were prepared in accordance with IFRS as issued by the IASB and audited under auditing standards generally accepted in the U.S. and included elsewhere in this prospectus. On March 24, 2021, we entered into a sale and purchase agreement with GL Mountrose Investment Two Limited, a company controlled and managed by GL Capital Group, to sell our entire investment in Hutchison Baiyunshan. The disposal is subject to regulatory approval in China and is expected to be completed in mid-2021. See "*History and Corporate Structure – Acquisition and Disposal*" for more information. The

presentation of financial data for our business units excludes certain unallocated costs attributed to expenses incurred by our corporate head office. For more information on our corporate structure, see "*History and Corporate Structure*."

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Research and Development Expenses

We believe our ability to successfully develop innovative drug candidates through our Oncology/Immunology operations will be the primary factor affecting our long-term competitiveness, as well as our future growth and development. Creating high quality global first-in-class or best-in-class drug candidates requires significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As a result of this commitment, our pipeline of drug candidates has been steadily advancing and expanding, seven of which are in China and global clinical development. For more information on the nature of the efforts and steps necessary to develop our drug candidates, see "*Business – Our Clinical Pipeline*" and "*Appendix IV – Regulatory Overview and Taxation*."

The drug candidates of our Oncology/Immunology operations are still in development, and we have incurred and will continue to incur significant research and development costs for pre-clinical studies and clinical trials. We expect that our research and development expenses will significantly increase in future periods in line with the advancement and expansion of the development of our drug candidates.

Research and development expenses include:

- employee compensation related expenses, including salaries, benefits and equity compensation expense;
- expenses incurred for payments to CROs, investigators and clinical trial sites that conduct our clinical studies;
- the cost of acquiring, developing, and manufacturing clinical study materials;
- facilities, depreciation, and other expenses, which include office leases and other overhead expenses; and
- costs associated with pre-clinical activities and regulatory operations.

Research and development expenses incurred by our Oncology/Immunology operations totaled US$114.2 million, US$138.2 million and US$174.8 million for the years ended December 31, 2018, 2019 and 2020, respectively, representing approximately 53.3%, 67.4% and 76.7% of our total consolidated revenue for the respective period. These figures do not include payments made by our collaboration partners directly to third parties to help fund the research and development of our drug candidates.

We have historically been able to fund the research and development expenses for our Oncology/Immunology operations via a range of sources, including payments received from our collaboration partners, cash flows generated from and dividend payments from our Other Ventures, the proceeds raised from our initial public offering on the AIM, our initial public offering and follow-on offerings on Nasdaq, investments from other third parties and bank borrowings.

This diversified approach to funding allows us to not depend on any one method of funding for our research and development activities, thereby reducing the risk that sufficient financing will be unavailable as we continue to accelerate the development of our drug candidates.

For more information on the research and development expenses incurred for the development of our drug candidates, see "– *Key Components of Results of Operations – Research and Development Expenses*."

Our Ability to Commercialize Our Drug Candidates

Our ability to generate revenue from our drug candidates depends on our ability to successfully complete clinical trials for our drug candidates and obtain regulatory approvals for them in the United States, Europe, China and other major markets.

We believe that our globally-facing strategy of focusing on drug development for novel but relatively well-characterized targets and for validated targets, in combination with our development of multiple drug candidates concurrently and testing them for multiple indications and in combinations with other drugs, enhances the likelihood that our research and development efforts will yield successful drug candidates. Nonetheless, we cannot be certain if any of our drug candidates will receive regulatory approvals. Even if such approvals are granted, we will need to thereafter establish manufacturing supply and engage in extensive marketing prior to generating any revenue from such drugs. The effectiveness of our marketing will depend on the efforts of our dedicated oncology sales team in China and the United States, the latter of which we are currently in the process of setting up. The ultimate commercial success of our drugs will depend on their acceptance by patients, the medical community and third-party payors and their ability to compete effectively with other therapies on the market.

To date, fruquintinib and surufatinib have been approved for sale. We have incurred a total of approximately US$13.5 million in capital expenditures between 2013 and 2020 to establish a standard manufacturing (formulation) facility in Suzhou, China, which now produces commercial supplies of Elunate (the brand name for fruquintinib) and Sulanda (the brand name for surufatinib). Beginning in October 2020, we assumed responsibility for the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities in China for Elunate. Surufatinib is marketed by us without the support of a collaboration partner. However, we have a limited history of successfully commercializing our internally developed drug candidates, which makes it difficult to evaluate our future prospects.

The competitive environment is also an important factor with the commercial success of our potential global first-in-class products, such as savolitinib and HMPL-523, depending on whether we are able to gain regulatory approvals and quickly bring such products to market ahead of competing drug candidates being developed by other companies.

For our drug candidates where we retain all rights worldwide, which currently include surufatinib, HMPL-523, HMPL-689, epitinib, theliatinib, HMPL-453, HMPL-306 and HMPL-295, if they remain unpartnered, we will be able to retain all the profits if any of them are successfully commercialized, though we will need to bear all the costs associated with such drug candidates. Conversely, as discussed below, for our drug candidates which are subject to collaboration partnerships, our collaboration partners provide funding for development of the drug candidates but are entitled to retain a significant portion of any revenue generated by such drug candidates.

Our Collaboration Partnerships

Our results of operations have been, and we expect them to continue to be, affected by our collaborations with third parties for the development and commercialization of certain of our drug candidates. Currently, these include savolitinib (collaboration with AstraZeneca) and fruquintinib (collaboration with Eli Lilly). In addition to providing us with clinical and regulatory support, the payments received from these collaborations have been critical to our ability to develop and quickly advance the pre-clinical and clinical studies of multiple drug candidates concurrently.

In particular, our partners cover a portion of our research and development costs for drug candidates developed in collaboration with them. For example, under our collaboration agreement with AstraZeneca, it is responsible for a significant portion of the development costs for savolitinib. However, in August 2016 and December 2020, we and AstraZeneca amended our collaboration agreement whereby we agreed to contribute additional funding for the research and development of savolitinib in return for a larger share of the upside if and when savolitinib is approved. Under our original collaboration agreement with Eli Lilly, it was responsible for a significant portion of all fruquintinib development costs in China. Under the terms of our December 2018 amendment to this agreement, we are responsible for all development costs for fruquintinib in new life cycle indications. In July 2020, we amended our collaboration with Eli Lilly to assume responsibility for all on-the-ground medical detailing, promotion and local and regional marketing activities in China for Elunate, thereby expanding its potential economic value to our Company.

In addition, under our licensing, co-development and commercialization agreements with AstraZeneca and Eli Lilly, we received upfront payments upon our entry into such agreements and milestone payments upon the achievement of certain development, regulatory and commercial milestones, payments for our provision of research and development services for the relevant drug candidate as well as royalties and revenue from product sales of Elunate

which we manufacture and sell to Eli Lilly at cost. Revenue recognized in our consolidated financial statements from such agreements with AstraZeneca and Eli Lilly totaled US$33.4 million, US$26.3 million and US$29.7 million for the years ended December 31, 2018, 2019 and 2020, respectively.

The achievement of milestones for our drug candidates, which is dependent on the outcome of clinical studies, is subject to a high degree of uncertainty and, as a result, we cannot reasonably estimate when we can expect to receive future milestone payments, or at all. For more information on our revenue recognition policies, see "*– Critical Accounting Policies and Significant Judgments and Estimates – Revenue recognition – Oncology/Immunology*." If we are unable to achieve development milestones for our drug candidates or if our partners were to terminate their collaborative agreements with us, payments for research and development services could also be affected.

AstraZeneca and Eli Lilly are entitled to a significant proportion of any future revenue from commercialization of our drug candidates developed in collaboration with them, as well as a degree of influence over the clinical development process for such drug candidates. For more information regarding our collaboration agreements, see "*Business – Overview of Our Collaborations.*"

China Government Insurance Reimbursement and Drug Pricing Policies

Our revenue is affected by the sales volume and pricing of our current and future internally developed drug candidates, if approved. Eligible participants in the government-sponsored medical insurance programs in China are entitled to reimbursement for varying percentages of the cost for any medicines that are included in applicable reimbursement lists. Factors that affect the inclusion of medicines in China's NRDL and any other applicable reimbursement list may include whether the medicine is consumed in large volumes and commonly prescribed for clinical use in China and whether it is considered to be important in meeting the basic healthcare needs of the general public. For more information, see "*Appendix IV – Regulatory Overview and Taxation – Regulatory Overview – Coverage and Reimbursement – PRC Coverage and Reimbursement.*"

The inclusion of a medicine in the NRDL or other applicable reimbursement lists can substantially improve the sales volume of the medicine due to the availability of third-party reimbursements; while, on the other hand, subjects it to price controls in the form of fixed retail prices or retail price ceilings, as well as periodical price adjustments by the regulatory authorities. Such price controls, especially downward price adjustments, may negatively affect the retail price of our drug candidates. On balance, we believe that, if priced appropriately, the benefit of the inclusion of our drug candidates in the NRDL and other applicable reimbursement lists outweighs the cost of such inclusion. Starting on January 1, 2020, Elunate was included on China's NRDL at a 63% discount to its initial retail price, paving the way to significantly broaden access for advanced CRC patients and rapidly build penetration in China in the coming years.

Revenue from our Other Ventures, including the revenue of our non-consolidated joint ventures Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, is affected by the sales volume and pricing of their own-brand prescription and over-the-counter pharmaceutical products as well as third-party pharmaceutical products. The sales volume of the products sold by these businesses is driven in part by the level of Chinese government spending on healthcare and the coverage of Chinese government medical insurance schemes, which is correlated with patient reimbursements for drug purchases, all of which have increased significantly in recent years as part of healthcare reforms in China. The sales volume of pharmaceutical products in China is also influenced by their representation on the NRDL, which determines eligibility for drug reimbursement, as well as their representation on the National Essential Medicines List, which mandates distribution of drugs in China. Substantially all pharmaceutical products manufactured and sold by Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan during the Track Record Period were capable of being reimbursed under the NRDL. In addition, among these two joint ventures an aggregate of 46 drugs, of which nine were in active production as of December 31, 2020, have been included on the National Essential Medicines List. She Xiang Bao Xin pills, Shanghai Hutchison Pharmaceuticals' top-selling drug, is one of the few proprietary drugs included on the National Essential Medicines List.

The NRDL and the National Essential Medicines List are subject to revision by the government from time to time, and our results could be materially and adversely affected if any of our products are removed from the NRDL or the National Essential Medicines List. For more information, see "*Risk Factors – Risks Relating to Sales of Our Internally Developed Drugs and Other Drugs – Reimbursement may not be available for the products currently sold through our Oncology/Immunology and Other Ventures operations or our drug candidates in China, the United States or other countries, which could diminish our sales or affect our profitability.*"

The sale prices of certain pharmaceutical products sold by the joint ventures in our Other Ventures are also subject to Chinese government's price controls. In April 2014, the NDRC announced a new LPDL, aimed at making certain low-price pharmaceuticals more profitable for manufacturers to produce. The LPDL established caps for the daily cost of chemical pharmaceuticals at less than RMB3.0 (US$0.46) per day and of traditional Chinese medicine pharmaceuticals at less than RMB5.0 (US$0.76) per day. The LPDL gives manufacturers flexibility to increase prices within the caps and exempts LPDL pharmaceuticals from hospital tenders. As of the end of 2020, Hutchison Baiyunshan's two top-selling products, Fu Fang Dan Shen tablets and Banlangen, cost consumers RMB1.9 (US$0.29) per day and RMB2.4 (US$0.37) per day, respectively, and Shanghai Hutchison Pharmaceuticals' two top-selling products, She Xiang Bao Xin pills and Danning tablets, cost RMB3.6 (US$0.55) per day and RMB4.3 (US$0.66) per day, respectively, each below the established caps for traditional Chinese medicine pharmaceuticals under the LPDL. As a result, we do not expect the LPDL to exert downward pressure on the pricing of these products unless the government makes significant downward adjustments to the LPDL price caps in the future.

Subject to customer demand, we have the ability to increase the prices for these products under the current LPDL price caps. For example, during 2016 we began to phase in, on a province-by-province basis, a 30% price increase for She Xiang Bao Xin pills from RMB2.7 (US$0.41) per day to RMB3.5 (US$0.53) per day. We further increased the price to RMB3.6 (US$0.55) per day in 2020. In addition, the pricing of Shanghai Hutchison Pharmaceuticals' prescription drugs is influenced by the outcomes of periodic provincial and municipal tender processes organized by the various provincial or municipal government agencies in China. For more information, see "*Appendix IV – Regulatory Overview and Taxation – Regulatory Overview – Coverage and Reimbursement – PRC Coverage and Reimbursement*."

Ability to Effectively Market Own Brand and Third-Party Drugs

A key component of our Other Ventures operations is the extensive prescription drugs marketing network operated by our joint ventures Shanghai Hutchison Pharmaceuticals and Hutchison Sinopharm, which includes approximately 2,300 medical sales representatives covering hospitals in about 320 cities and towns in China. Our results of operations are impacted by the effectiveness of this network, including the ability of Shanghai Hutchison Pharmaceuticals to generate sales of She Xiang Bao Xin pills, which represented approximately 85%, 88% and 90% of its total revenue for the years ended December 31, 2018, 2019 and 2020, respectively.

In addition, in recent years Hutchison Sinopharm has been increasingly focused on providing distribution and commercialization services for prescription drugs licensed from third parties, and we have built, and continue to expand, our oncology drug sales team which we utilize for our internally developed drugs for which we have commercialization rights, if approved, throughout China.

If the marketing efforts of these joint ventures to doctors and hospitals are not successful, our revenue and profitability may be negatively affected. Moreover, if we are unsuccessful in marketing any third-party drugs, it may adversely affect our ability to enter into commercialization arrangements on acceptable terms, gain rights to market additional third-party drugs or prevent us from expanding the geographic scope of existing arrangements.

Seasonality

The results of operations of our Other Ventures are also affected by seasonal factors. Our Other Ventures operations typically experience higher profits in the first half of the year due to the sale cycles of our distributors, whereby they typically increase their inventories at the beginning of each year. In addition, in the second half of each year, our Other Ventures operations typically spend more on marketing activities to help reduce such inventory held by distributors. We do not experience material seasonal variations in the results of our Oncology/Immunology operations.

Overall Economic Growth and Consumer Spending Patterns

The results of operations and growth of our Other Ventures, in particular for sales of consumer health products, depend in part on continuing economic growth and increasing income and health awareness of consumers in Asia. Although economic growth in China has slowed in recent periods, it achieved an annual growth rate in real gross domestic product of approximately 1.9% in 2020 according to the International Monetary Fund. As per capita disposable income has increased, consumer spending has also increased, and consumers in China have tended to be more health conscious and to spend more on organic and natural products for their families' health and well-being. However, if customer demand for such products does not achieve the levels we expect, whether due to slowing economic conditions, changing consumer tastes or otherwise, the results of operations and growth of our Other Ventures operations could be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Our discussion and analysis of operating results and financial condition are based upon our consolidated financial statements. The preparation of consolidated financial statements requires us to estimate the effect of various matters that are inherently uncertain as of the date of the consolidated financial statements. Each of these required estimates varies with regard to the level of judgment involved and its potential impact on our reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period, and a different estimate would materially impact our financial position, changes in financial position or results of operations. Our significant accounting policies are discussed under note 3 to our consolidated financial statements included in this prospectus. We believe the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our consolidated financial statements and that the judgments and estimates are reasonable.

Revenue recognition – Oncology/Immunology

Our Oncology/Immunology reportable segment principally generates revenue from license and collaboration contracts as well as revenues related to the sale of drug products developed by our subsidiary Hutchison MediPharma. The license and collaboration contracts generally contain multiple performance obligations including (1) the license to the commercialization rights of a drug compound and (2) the research and development services for each specified treatment indication, which are accounted for separately if they are distinct, i.e. if a product or service is separately identifiable from other items in the arrangement and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

The transaction price generally includes fixed and variable consideration in the form of upfront payment, research and development cost reimbursements, contingent milestone payments and sales-based royalties. Contingent milestone payments are not included in the transaction price until it becomes probable that a significant reversal of revenue will not occur,

which is generally when the specified milestone is achieved. The allocation of the transaction price to each performance obligation is based on the relative standalone selling prices of each performance obligation determined at the inception of the contract. We estimate the standalone selling prices based on the income approach.

Control of the license to the drug compounds transfers at the inception date of the collaboration agreements and consequently, amounts allocated to this performance obligation are generally recognized at a point in time. Conversely, research and development services for each specified indication are performed over time and amounts allocated to these performance obligations are generally recognized over time using cost inputs as a measure of progress. We have determined that research and development expenses provide an appropriate depiction of measure of progress for the research and development services. Changes to estimated cost inputs may result in a cumulative catch-up adjustment. Royalty revenues are recognized as future sales occur as they meet the requirements for the sales-usage based royalty exception.

Deferred revenue is recognized if allocated consideration is received in advance of the rendering of research and development services. Accounts receivable is recognized based on the terms of the contract and when we have an unconditional right to bill the customer, which is generally when research and development services are rendered.

Revenue recognition from the sales of goods and provision of services for drug products developed by our Oncology/Immunology operations follows the revenue recognition policies in our Other Ventures operations below.

Revenue recognition – Other Ventures

Our Other Ventures reportable segment principally generates revenue from (1) sales of goods, which are the manufacture or purchase and distribution of pharmaceutical products and other consumer health products and (2) provision of services, which are the provision of sales, distribution and marketing services to pharmaceutical manufacturers. We evaluate whether we are the principal or agent for these contracts. Where we obtain control of the goods for distribution, we are the principal (i.e. recognizes sales of goods on a gross basis). Where we do not obtain control of the goods for distribution, we are the agent (i.e. recognizes provision of services on a net basis). Control is primarily evidenced by taking physical possession and inventory risk of the goods.

Revenue from sales of goods is recognized when the customer takes possession of the goods. We have determined that this usually occurs upon completed delivery of the goods to the customer site. The amount of revenue recognized is adjusted for expected sales incentives as stipulated in the contract, which are generally issued to customers as direct discounts at the point of sale or indirectly in the form of rebates. Sales incentives are estimated using the expected value method. Additionally, sales are generally made with a limited right of return under certain conditions. Revenues are recorded net of provisions for sales discounts and returns.

Revenue from provision of services is recognized when the benefits of the services transfer to the customer over time, which is based on the proportionate value of services rendered as determined under the terms of the relevant contract. Additionally, when the amounts that can be invoiced correspond directly with the value to the customer for performance completed to date, we recognize revenue from provision of services based on amounts that can be invoiced to the customer.

Share-based Compensation

We recognize share-based compensation expense on share options granted to employees and directors based on their estimated grant date fair value using the polynomial model. Determining the fair value of share options requires the use of highly subjective assumptions. This polynomial pricing model uses various inputs to measure fair value, including estimated market value of our underlying Shares at the grant date, contractual terms, estimated volatility, risk-free interest rates and expected dividend yields. The assumptions in determining the fair value of share options are highly subjective and represent our best estimates, which involve inherent uncertainties and the application of judgment. As a result, if factors change and different assumptions are used, our level of share-based compensation could be materially different in the future.

We recognize share-based compensation expense in the consolidated statements of operations on a graded vesting basis over the requisite service period, and account for forfeitures as they occur.

Impairment of Long-lived Assets

We evaluate the recoverability of long-lived assets in accordance with authoritative guidance on accounting for the impairment or disposal of long-lived assets.

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Indicators that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets.

If indicators of impairment exist, the first step of the impairment test is performed to assess if the carrying value of the net assets exceeds the undiscounted cash flows of the assets. If yes, the second step of the impairment test is performed in order to determine if the carrying value of the net assets exceeds the fair value. If yes, impairment is recognized for the excess.

Impairment of Goodwill

Goodwill is recorded when the purchase price of an acquisition exceeds the fair value of the net tangible and identified intangible assets acquired. Goodwill is allocated to our reporting units based on the relative expected fair value provided by the acquisition. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. Goodwill is attributable to our Other Ventures' operations.

We perform an annual impairment assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit in which goodwill resides is less than its carrying value. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, goodwill is not considered impaired and we are not required to perform the goodwill impairment test. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. Additionally, as part of this assessment, we may perform a quantitative analysis to support the qualitative factors above by applying sensitivities to assumptions and inputs used in measuring a reporting unit's fair value. For reporting units in which the impairment assessment concludes that it is more likely than not that the fair value is less than its carrying value, we perform the goodwill impairment test, which compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not considered impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Our goodwill impairment test uses the income method to estimate a reporting unit's fair value. The income method is based on a discounted future cash flow approach that uses the following assumptions and inputs: revenue, based on assumed market segment growth rates; and appropriate discount rates based on a reporting unit's weighted average cost of capital as determined by considering the observable weighted average cost of capital of comparable companies. Our estimate of market segment growth is based on historical data, various internal estimates, and a variety of external sources. This estimate is developed as part of our routine long-range planning process. We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available comparable market data. A reporting unit's carrying value represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt. We performed the goodwill impairment test and determined that the fair values of the reporting units exceeded their carrying values and considered that impairment was not necessary for any reporting unit.

Our goodwill during the Track Record Period consisted of two components: (i) goodwill attributable to Hutchison Sinopharm of US$2.8 million, US$2.7 million and US$2.9 million as of December 31, 2018, 2019 and 2020, respectively, and (ii) goodwill attributable to Hutchison Healthcare of US$0.4 million as of December 31, 2018, 2019 and 2020. We completed the annual impairment evaluation of each component and concluded that no impairment of goodwill was necessary during the Track Record Period.

Hutchison Sinopharm – We performed a quantitative analysis of Hutchison Sinopharm's fair value using five-year cash flow projections based on estimated average annual revenue growth rates not exceeding 11.9%, 6.2% and 18.8% for the years ended December 31, 2018, 2019 and 2020, respectively, and estimated post-tax discount rates of 15.7%, 14.0% and 13.0% for the years ended December 31, 2018, 2019 and 2020, respectively. Based on this analysis, the headroom between the fair value and carrying value of Hutchison Sinopharm was approximately US$5.0 million, US$7.1 million and US$51.1 million as of December 31, 2018, 2019 and 2020, respectively. Neither decreasing the estimated average annual revenue growth rate by 1% nor increasing the estimated post-tax discount rate by 1% would have resulted in impairment of goodwill. The headroom would decrease to US$47.3 million (2018: US$2.3 million, 2019: US$5.3 million) with a 1% decrease in the estimated average annual revenue growth rate or to US$43.9 million (2018: US$3.0 million, 2019: US$4.1 million) with a 1% increase in the estimated post-tax discount rate. A 15.9% decrease (2018: 1.9%, 2019: 4.0%) in the estimated average annual revenue growth rate and a 18.3% increase (2018: 2.9%, 2019: 2.7%) in the estimated post-tax discount rate, each taken in isolation, would remove the remaining headroom.

Hutchison Healthcare – We performed a quantitative analysis of Hutchison Healthcare's fair value using five-year cash flow projections based on estimated average annual revenue growth rates not exceeding 14.0%, 10.0% and 10.0% for the years ended December 31, 2018, 2019 and 2020, respectively, and estimated post-tax discount rates of 15.7%, 14.0% and 13.0% for the years ended December 31, 2018, 2019 and 2020, respectively. Based on this analysis, the headroom between fair value and carrying value of Hutchison Healthcare was US$5.4 million, US$11.9 million and US$3.5 million as of December 31, 2018, 2019 and 2020, respectively. Neither decreasing the estimated average annual revenue growth rate by 1% nor increasing the estimated post-tax discount rate by 1% would have resulted in impairment of goodwill. The headroom would decrease to US$2.6 million (2018: US$4.6 million, 2019: US$10.3 million) with a 1% decrease in the estimated average annual revenue growth rate or to US$2.9 million (2018: US$4.8 million, 2019: US$10.4 million) with a 1% increase in the estimated post-tax discount rate. A 4.0% decrease (2018: 7.0%, 2019: 8.5%) in the estimated average annual revenue growth rate and a 10.8% increase (2018: 29.5%, 2019: 25.4%) in the estimated post-tax discount rate, each taken in isolation, would remove the remaining headroom.

In respect of the goodwill recorded in the financial statements of the Company's non-consolidated joint venture Hutchison Baiyunshan prepared under IFRS, an impairment assessment was performed by comparing its carrying value to its recoverable value. The recoverable value was determined based on value-in-use calculations using cash flow projections covering a five-year period with average annual revenue growth rates not exceeding 5.0%, 3.0% and 3.0% for the years ended December 31, 2018, 2019 and 2020, respectively and estimated pre-tax discount rates of 18.1%, 15.9% and 14.9% for the years ended December 31, 2018, 2019 and 2020, respectively. Based on this analysis, the headroom between recoverable value and carrying value of Hutchison Baiyunshan was approximately US$75.3 million, US$230.3 million and US$48.4 million as of December 31, 2018, 2019 and 2020, respectively. A sensitivity analysis was performed, and it was determined that no reasonable change to any key assumptions would cause the carrying value to exceed its recoverable value. No impairment indicator was noted as of December 31, 2020.

Impairment of Equity Method investments

Our equity method investments represent our investments in our non-consolidated joint ventures. All of these are in non-marketable equity investments. Non-marketable equity investments are inherently risky, and their success depends on their ability to generate revenues, remain profitable, operate efficiently and raise additional funds and other key business factors. The companies could fail or not be able to raise additional funds when needed, or they may receive lower valuations with less favorable investment terms. These events could cause our investments to become impaired. In addition, financial market volatility could negatively affect our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales.

We consider if our equity method investments are impaired when events or circumstances suggest that their carrying amounts may not be recoverable. An impairment charge would be recognized in earnings for a decline in value that is determined to be other-than-temporary. This is based on our quantitative and qualitative analysis, which includes assessing the severity and duration of the impairment and the likelihood of recovery before disposal. The investments are recorded at fair value only if impairment is recognized. The recognition of impairment and measurement of fair value requires significant judgment and includes a qualitative and quantitative analysis of events or circumstances that impact the fair value of the investment. Qualitative analysis of our investments involves understanding our investee's revenue and earnings trends relative to pre-defined milestones and overall business prospects, the technological feasibility of our investee's products and technologies, the general market conditions in the investee's industry or geographic area including adverse regulatory or economic changes, and the management and governance structure of the investee. We did not identify any events or circumstances that would suggest that the carrying amount of each of our equity method investments may not be recoverable and we consider impairment was not necessary.

KEY COMPONENTS OF RESULTS OF OPERATIONS

Revenues

We derive our consolidated revenue primarily from (i) the sales of goods and services to Eli Lilly as well as royalties on in-market sales of Elunate by Eli Lilly; (ii) licensing and collaboration projects conducted by our Oncology/Immunology operations, which generate revenue in the form of upfront payments, milestone payments, payments received for providing research and development services for our collaboration projects; and (iii) the sales of goods and services by our Other Ventures, which generate revenue from the distribution and marketing of prescription pharmaceutical and consumer health products.

The following table sets forth the components of our consolidated revenue for the years indicated, which does not include the revenue from our non-consolidated joint ventures which are included in our Other Ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan. Our revenue from research and development projects for related parties is

attributable to income for research and development services that we received primarily from Shanghai Hutchison Pharmaceuticals and Nutrition Science Partners, our former non-consolidated joint venture with Nestlé Health Science. Our revenue from sales to related parties is attributable to sales by our Other Ventures to indirect subsidiaries of CK Hutchison.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Revenues						
Oncology/Immunology:						
Goods—third parties	3,324	1.5	8,113	4.0	11,329	5.0
Services:						
Collaboration R&D—third parties	17,681	8.3	15,532	7.6	9,771	4.3
Services—Commercialization—third parties	–	–	–	–	3,734	1.7
R&D services—related parties	7,832	3.7	494	0.2	491	0.2
Other collaboration revenue:						
Royalties—third parties	261	0.1	2,653	1.3	4,890	2.1
Licensing—third parties	12,135	5.7	–	–	–	–
Subtotal	41,233	19.3	26,792	13.1	30,215	13.3
Other Ventures:						
Goods—third parties	152,910	71.4	167,877	81.9	192,277	84.3
Goods—related parties	8,306	3.9	7,637	3.7	5,484	2.4
Services—third parties	11,660	5.4	2,584	1.3	–	–
Subtotal	172,876	80.7	178,098	86.9	197,761	86.7
Total	214,109	100.0	204,890	100.0	227,976	100.0

Revenue from Oncology/Immunology primarily comprises revenue from Elunate in China. The revenue we generate from Elunate is primarily comprised of revenue from the sales of Elunate to Eli Lilly which we manufacture and sell at cost, promotion and marketing services to Eli Lilly and royalty revenue. Additionally, Oncology/Immunology revenue also comprises revenue recognized in our consolidated financial statements under licensing, co-development and commercialization agreements for upfront, milestone and research and development services payments for our drug candidates developed in collaboration with AstraZeneca and Eli Lilly.

The following table sets forth the components of revenues of our Other Ventures by product type for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Revenues—Other Ventures						
Prescription drug products	121,169	70.1	141,124	79.2	165,072	83.5
Consumer health products	40,047	23.2	34,390	19.3	32,689	16.5
Services	11,660	6.7	2,584	1.5	–	–
	172,876	100.0	178,098	100.0	197,761	100.0

Revenue from our Other Ventures primarily comprises revenue from prescription drugs including the commercial services, logistics and distribution business of our consolidated Hutchison Sinopharm joint venture with Sinopharm, a leading distributor of pharmaceutical and healthcare products and a leading supply chain service provider in China. Hutchison Sinopharm was historically a distributor of AstraZeneca's quetiapine tablets (under the Seroquel trademark) and recorded commercialization services revenue under a fee-for-service model. However, in May 2019, our distribution of Seroquel was terminated. See "*Business – Other Ventures – Hutchison Sinopharm*" for more information.

Revenue from our Other Ventures also comprises revenue from sales of organic and natural products by Hutchison Hain Organic, Zhi Ling Tong infant nutrition and other health supplement products manufactured by Hutchison Healthcare and distributed through Hutchison Sinopharm, and certain third-party consumer products distributed and marketed by Hutchison Consumer Products.

The revenue of our non-consolidated joint venture, Shanghai Hutchison Pharmaceuticals, the accounts of which are prepared in accordance with IFRS as issued by the IASB and whose revenue is not included in our consolidated revenue, was US$275.7 million, US$272.1 million and US$276.4 million for the years ended December 31, 2018, 2019 and 2020, respectively. Shanghai Hutchison Pharmaceuticals is a joint venture with Shanghai Pharmaceuticals, a leading pharmaceuticals company in China, and primarily focuses on the manufacture and sale of prescription pharmaceutical products in China. We and Shanghai Pharmaceuticals each own 50% of this joint venture. We have the right to nominate the general manager and other management of this joint venture and run its day-to-day operations. The effect of Shanghai Hutchison Pharmaceuticals on our consolidated financial results is discussed below under "*– Equity in Earnings of Equity Investees*."

The revenue of our non-consolidated joint venture, Hutchison Baiyunshan, the accounts of which are prepared in accordance with IFRS as issued by the IASB and whose revenue is not included in our consolidated revenue, was US$215.8 million, US$215.4 million and US$232.4 million for the years ended December 31, 2018, 2019 and 2020, respectively. Hutchison Baiyunshan is a joint venture with Guangzhou Baiyunshan, a leading China-based pharmaceutical company, and primarily focuses on the manufacture and distribution of over-the-counter pharmaceutical products in China. Our interest in Hutchison Baiyunshan is held through an 80%-owned subsidiary of ours, Hutchison BYS (Guangzhou) Holding Limited, which owns 50% of that joint venture, with the other 50% interest held by Guangzhou Baiyunshan. On March 24, 2021, we entered into a sale and purchase agreement with GL Mountrose Investment Two Limited, a company controlled and managed by GL Capital Group, to sell our entire investment in Hutchison Baiyunshan. The disposal is subject to regulatory approval in China and is expected to be completed in the second half of 2021. The effect of Hutchison Baiyunshan on our consolidated financial results is discussed under "– *Equity in Earnings of Equity Investees*."

Operating Expenses

Cost of Revenues

Our cost of revenues are primarily attributable to the cost of revenues of Hutchison Sinopharm and Hutchison MediPharma. Our cost of revenues to related parties is attributable to sales to indirect subsidiaries of CK Hutchison. The following table sets forth the components of our cost of revenues attributable to third parties and related parties for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Cost of Revenues						
Costs of goods—third parties	129,346	89.9	152,729	95.4	178,828	94.9
Costs of goods—related parties	5,978	4.2	5,494	3.4	3,671	1.9
Costs of services—third parties	8,620	5.9	1,929	1.2	6,020	3.2
Total	143,944	100.0	160,152	100.0	188,519	100.0

The following table sets forth the components of cost of revenues of our Other Ventures by product type for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Cost of Revenues—Other Ventures						
Prescription drug products	110,168	77.4	133,896	86.2	158,910	90.1
Consumer health products	23,579	16.6	19,447	12.5	17,500	9.9
Services	8,620	6.0	1,929	1.3	–	–
	142,367	100.0	155,272	100.0	176,410	100.0

Research and Development Expenses

Our research and development expenses are attributable to our Oncology/Immunology operations. These costs primarily comprise the cost of research and development for our drug candidates, including clinical trial related costs such as payments to third-party CROs, personnel compensation and related costs, and other research and development expenses. The following table sets forth the components of our research and development expenses and the clinical trial related costs incurred for the development of our main drug candidates for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
R&D Expenses						
Oncology/Immunology:						
Savolitinib (targeting MET)	11,749	10.3	14,630	10.6	5,341	3.1
Fruquintinib (targeting VEGFR1/2/3)	17,423	15.3	19,488	14.1	28,254	16.2
Surufatinib (targeting VEGFR/FGFR1/CSF-1R)	20,996	18.4	23,809	17.2	32,106	18.4
Epitinib (targeting EGFRm+ with brain metastasis)	3,448	3.0	(1,841)	(1.3)	808	0.5
Theliatinib (targeting EGFR wild-type)	1,399	1.2	138	0.1	(74)	–
HMPL-523 (targeting Syk)	7,562	6.6	18,338	13.3	7,422	4.2
HMPL-689 (targeting PI3Kδ)	2,113	1.8	5,938	4.3	7,383	4.2
HMPL-453 (targeting FGFR)	2,082	1.8	1,948	1.4	1,356	0.8
HMPL-306 (targeting IDH 1/2)	2	–	–	–	5,389	3.1
Others and government grant	6,919	6.1	5,329	3.8	17,884	10.1
Total clinical trial related costs	73,693	64.5	87,777	63.5	105,869	60.6
Personnel compensation and related costs	35,340	31.0	46,246	33.5	63,542	36.3
Other research and development costs	5,128	4.5	4,167	3.0	5,365	3.1
Total	114,161	100.0	138,190	100.0	174,776	100.0

The following table summarizes our research and development expenses by location for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
PRC	109,584	96.0	116,479	84.3	111,473	63.8
U.S. and others	4,577	4.0	21,711	15.7	63,303	36.2
Total	114,161	100.0	138,190	100.0	174,776	100.0

In addition to the research and development costs shown above, the table below summarizes the research and development costs and impairment provision incurred by our former non-consolidated Nutrition Science Partners joint venture, primarily in relation to the development of our drug candidate HMPL-004/HM004-6599. The losses incurred by this joint venture during the periods indicated were reflected on our consolidated statements of operations in the equity in earnings of equity investees line item. Nutrition Science Partners did not have any operating activities for the years ended December 31, 2019 and 2020. On December 9, 2019, we acquired the remaining 50% shareholding in Nutrition Science Partners from our joint venture partner for approximately US$8.1 million, which represented their share of the cash balance at that time; and, therefore, Nutrition Science Partners has been included in our consolidated group since that date. The consolidated financial statements of Nutrition Science Partners are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus. For more information on this joint venture, see "– *Equity in Earnings of Equity Investees*".

	Year Ended December 31,		Period Ended December 9,	
	2018		2019	
	US$'000	%	US$'000	%
Nutrition Science Partners				
HMPL-004/HM004-6599 related development costs	(2,420)	6.4	–	–
Other costs	(5,966)	15.6	(51)	(25.6)
Other income	188	(0.5)	250	125.6
Impairment provision	(30,000)	78.5	–	–
(Loss)/profit for the year/period	(38,198)	100.0	199	100.0
Equity in earnings of equity investee attributable to our Company	(19,099)	50.0	100	50.0

We cannot determine with certainty the duration and completion costs of the current or future pre-clinical or clinical studies of our drug candidates or if, when, or to what extent we will generate revenues from the commercialization and sale of any of our drug candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our drug candidates currently under development. The duration, costs, and timing of clinical studies and development of our drug candidates will depend on a variety of factors, including:

- the scope, rate of progress and expense of our ongoing as well as any additional clinical studies and other research and development activities;
- future clinical study results;
- uncertainties in clinical study enrollment rate;
- significant and changing government regulation; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of a drug candidate could mean a significant change in the costs and timing associated with the development of that drug candidate.

For more information on the risks associated with the development of our drug candidates, see "*Risk Factors – Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates – All of our drug candidates, other than fruquintinib and surufatinib for approved indications in China, are still in development. If we are unable to obtain regulatory approval and ultimately commercialize our drug candidates, or if we experience significant delays in doing so, our business will be materially harmed*."

Selling Expenses

The following table sets forth the components of our selling expenses for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Selling Expenses						
Oncology/Immunology	–	–	–	–	237	2.1
Other Ventures	17,736	100.0	13,724	100.0	11,097	97.9
Total	17,736	100.0	13,724	100.0	11,334	100.0

Our selling expenses primarily comprise sales and marketing expenses and related personnel expenses incurred by our Other Ventures in their distribution and marketing of pharmaceutical and consumer health products. It also includes selling expenses incurred by our Oncology/Immunology operations by Hutchison MediPharma for sales of Elunate to third parties other than Eli Lilly.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the years indicated.

Administrative expenses are also incurred by our corporate head office, which are not allocated to either Oncology/Immunology or Other Ventures.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Administrative Expenses						
Oncology/Immunology	9,662	31.3	12,189	31.1	19,144	38.3
Other Ventures	4,564	14.7	5,292	13.5	6,129	12.3
Corporate Head Office	16,683	54.0	21,729	55.4	24,742	49.4
Total	30,909	100.0	39,210	100.0	50,015	100.0

Oncology/Immunology's administrative expenses primarily comprise the salaries and benefits of administrative staff, office leases and other overhead expenses incurred by Hutchison MediPharma.

Our Other Ventures' administrative expenses primarily comprise the salaries and benefits of administrative staff, office leases and other overhead expenses incurred by Hutchison Sinopharm, Hutchison Hain Organic and Hutchison Healthcare.

Our corporate head office administrative expenses primarily comprise the salaries and benefits of our corporate head office employees and directors, office leases and other overhead expenses.

Equity in Earnings of Equity Investees

We have historically derived a significant portion of our net income from our equity in earnings of equity investees, which was primarily attributable to two of our Other Ventures' non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, partially offset by losses at our former non-consolidated joint venture, Nutrition Science Partners. Our equity in earnings of equity investees, net of tax, contributed by the non-consolidated joint ventures in our Other Ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, was US$38.3 million, US$40.6 million and US$79.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. Equity in earnings of Hutchison Baiyunshan for the year ended December 31, 2020 included a one-time gain of US$36.0 million from land compensation for a return of land use rights to the Guangzhou government.

Our equity in earnings of equity investees, net of tax, contributed by Oncology/Immunology was a loss of US$19.0 million, income of US$0.1 million and a loss of US$0.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. The loss for the year ended December 31, 2018 was primarily attributable to losses at Nutrition Science Partners, which had incurred research and development expenses for the drug candidate HMPL-004/HM004-6599 and the full impairment provision of its US$30.0 million intangible asset of which our attributable portion was US$15.0 million. On December 9, 2019, we acquired our joint venture partner's 50% shareholding in Nutrition Science Partners, after which Nutrition Science Partners became our consolidated subsidiary.

The following table shows the revenue of Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan for the years indicated. Nutrition Science Partners did not have revenue for any of the years presented. The consolidated financial statements of these joint ventures are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Revenue						
Other Ventures:						
Shanghai Hutchison Pharmaceuticals	275,649	56.1	272,082	55.8	276,354	54.3
Hutchison Baiyunshan	215,838	43.9	215,403	44.2	232,368	45.7
Total	491,487	100.0	487,485	100.0	508,722	100.0

The following table shows the amount of equity in earnings of equity investees, net of tax, of our non-consolidated joint ventures for the years indicated.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Equity in earnings of equity investees, net of tax						
Oncology/Immunology:						
Nutrition Science Partners[(1)]	(19,099)	(98.8)	100	0.3	–	–
Others	118	0.6	47	0.1	(97)	(0.1)
Other Ventures:						
Shanghai Hutchison Pharmaceuticals	29,884	154.6	30,654	75.3	33,502	42.4
Hutchison Baiyunshan[(2)]	8,430	43.6	9,899	24.3	45,641	57.7
Total	19,333	100.0	40,700	100.0	79,046	100.0

(1) On December 9, 2019, we acquired our joint venture partner's 50% shareholding in Nutrition Science Partners, after which Nutrition Science Partners became our consolidated subsidiary.

(2) The amount for the year ended December 31, 2020 includes a one-time gain of US$36.0 million from land compensation for a return of land use rights to the Guangzhou government.

Investments in equity investees mainly consisted of our investments in Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan. The fluctuations in the investments in equity investees was primarily due to recording our equity in earnings of equity investees, net of tax, offset by dividends declared by the equity investees.

The following table shows our investments in our equity investee non-consolidated joint ventures as of the dates indicated.

	As of December 31,		
	2018	2019	2020
		US$'000	
Shanghai Hutchison Pharmaceuticals	68,812	76,226	79,408
Hutchison Baiyunshan	60,992	22,271	59,712
Nutrition Science Partners and Others	8,514	447	385
Total	138,318	98,944	139,505

The following table shows the financial position of Shanghai Hutchison Pharmaceuticals, Hutchison Baiyunshan and Nutrition Science Partners as of the dates indicated.

	Shanghai Hutchison Pharmaceuticals			Hutchison Baiyunshan			Nutrition Science Partners		
	As of December 31,								
	2018	2019	2020	2018	2019	2020	2018	2019	2020
					US$'000				
Current assets[1]	124,512	141,268	175,965	116,020	124,704	177,888	17,320	–	–
Non-current assets	98,532	91,098	93,361	100,353	95,096	95,731	–	–	–
Current liabilities	(84,357)	(79,533)	(109,873)	(73,974)	(124,051)	(137,179)	(1,117)	–	–
Non-current liabilities	(6,909)	(6,074)	(6,739)	(17,302)	(48,690)	(16,034)	–	–	–
Net assets[2]	131,778	146,759	152,714	125,097	47,059	120,406	16,203	–	–
Non-controlling interests	–	–	–	(3,113)	(2,518)	(982)	–	–	–
	131,778	146,759	152,714	121,984	44,541	119,424	16,203	–	–

(1) The expected credit loss rates on trade and bills receivables for Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan was insignificant and close to zero for the years indicated.

(2) Shanghai Hutchison Pharmaceuticals' balance with related parties as disclosed in Appendix III to this prospectus are all related to trade except for lease balances and other payables to our Group. Hutchison Baiyunshan's balance with related parties as disclosed in Appendix III to this prospectus are all related to trade except for dividend balances and other payables to our Group. Nutrition Science Partners' amounts due to related parties as disclosed in Appendix III to this prospectus are all not related to trade.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amounts and as percentages of our revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. Our operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,					
	2018		2019		2020	
	US$'000	%	US$'000	%	US$'000	%
Revenues	214,109	100.0	204,890	100.0	227,976	100.0
Cost of revenues	(143,944)	(67.2)	(160,152)	(78.2)	(188,519)	(82.7)
Research and development expenses	(114,161)	(53.3)	(138,190)	(67.4)	(174,776)	(76.7)
Selling expenses	(17,736)	(8.3)	(13,724)	(6.7)	(11,334)	(5.0)
Administrative expenses	(30,909)	(14.4)	(39,210)	(19.1)	(50,015)	(21.9)
Other income, net	5,986	2.8	5,281	2.6	6,934	3.0
Income tax expense	(3,964)	(1.9)	(3,274)	(1.6)	(4,829)	(2.1)
Equity in earnings of equity investees, net of tax	19,333	9.0	40,700	19.9	79,046	34.7
Net loss	(71,286)	(33.3)	(103,679)	(50.6)	(115,517)	(50.7)
Net loss attributable to our Company	(74,805)	(34.9)	(106,024)	(51.7)	(125,730)	(55.2)

TAXATION

Cayman Islands

Our Company is incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on profits, income, gains or appreciation earned by individuals or corporations. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands. For more information, see "*Appendix IV – Regulatory Overview and Taxation – Taxation – Overview of Tax Implications of Various Other Jurisdictions – Cayman Islands Taxation.*"

People's Republic of China

Our subsidiaries and joint ventures incorporated in the PRC are governed by the EIT Law and regulations. Under the EIT Law, the standard EIT rate is 25% on taxable profits as reduced by available tax losses. Tax losses may be carried forward to offset any taxable profits for the following five years (extended to ten years for those with HNTE status, effective from January 1, 2018). Hutchison MediPharma and our non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, have been successful in their respective applications to renew their HNTE status for three years from January 1, 2020 to December 31, 2022. Accordingly, these entities are eligible for a preferential EIT rate of 15% for the years ended/ending December 31, 2020, 2021 and 2022. Hutchison MediPharma (Suzhou) Limited, a wholly-owned subsidiary of Hutchison MediPharma, was granted the HNTE status for three years from January 1, 2018 to December 31, 2020, and is preparing to apply to renew its status for another three years.

For more information, see "*Appendix IV – Regulatory Overview and Taxation – Taxation – Taxation in the PRC.*" Please also see "*Risk Factors – Other Risks and Risks Relating to Doing Business in China – Our business benefits from certain PRC government tax incentives. The expiration of, changes to, or our PRC subsidiaries/joint ventures failing to continuously meet the criteria for these incentives could have a material adverse effect on our operating results by significantly increasing our tax expenses.*"

According to the EIT Law, dividends declared after January 1, 2008 and paid by PRC foreign-invested enterprises to their non-PRC parent companies will be subject to PRC withholding tax at 10% unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is a tax resident and which specifically exempts or reduces such withholding tax, and such tax exemption or reduction is approved by the relevant PRC tax authorities. Pursuant to the arrangement, if the shareholder of the PRC enterprise is a Hong Kong tax resident and directly holds a 25% or more equity interest in the PRC enterprise and is considered to be the beneficial owner of dividends paid by the PRC enterprise, such withholding tax rate may be lowered to 5%, subject to approvals by the relevant PRC tax authorities. For more information, see "*Appendix IV – Regulatory Overview and Taxation – Taxation*."

Hong Kong

Our Company and certain of its subsidiaries are subject to Hong Kong Profits Tax laws and regulations. Hong Kong has a two-tiered Profits Tax rates regime under which the first HK$2.0 million (US$0.3 million) of assessable profits of qualifying corporations will be taxed at 8.25%, with the remaining assessable profits taxed at 16.5%. Hong Kong Profits Tax has been provided for at the relevant rates on the estimated assessable profits less estimated available tax losses, if any, of these entities as applicable.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2020

Revenues

Our revenue increased by 11.3% from US$204.9 million for the year ended December 31, 2019 to US$228.0 million for the year ended December 31, 2020, which was caused by increased revenue from both Oncology/Immunology and Other Ventures operations.

Revenue from Oncology/Immunology increased by 12.8% from US$26.8 million for the year ended December 31, 2019 to US$30.2 million for the year ended December 31, 2020, primarily due to an increase in revenue related to the sale of Elunate from US$10.8 million for the year ended December 31, 2019 (of which US$2.7 million was royalty revenue and US$8.1 million was revenue from sales to Eli Lilly) to US$20.0 million for the year ended December 31, 2020 (of which US$4.9 million was royalty revenue, US$11.3 million was revenue from sales of goods primarily to Eli Lilly and US$3.8 million was revenue from promotion and marketing services to Eli Lilly which commenced in October 2020) as a result of the inclusion of Elunate in the 2020 China NRDL. Elunate was included on China's NRDL at an approximately 60% discount to its initial retail price. The inclusion of Elunate resulted in a substantial improvement in sales volume due to the availability of third-party reimbursements. This increase was offset in part by a decrease in revenue related to collaboration research and development services from US$15.5 million for the year ended December 31, 2019 to US$9.8 million for the year ended December 31, 2020 as there was less clinical activity subject to reimbursement from our collaboration partners.

Revenue from our Other Ventures increased by 11.0% from US$178.1 million for the year ended December 31, 2019 to US$197.8 million for the year ended December 31, 2020, primarily due to an increase in sales of prescription drug products. Revenue from sales of prescription drugs increased by 17.0% from US$141.1 million for the year ended December 31, 2019 to US$165.1 million for the year ended December 31, 2020 primarily due to increased sales by our consolidated joint venture Hutchison Sinopharm. The increase was offset in part by lower provision of services which decreased from US$2.6 million for the year ended December 31, 2019 to nil for the year ended December 31, 2020 after the discontinuation of our distribution of Seroquel in May 2019. This increase was also offset in part by a decrease in sales of consumer health products which decreased by 4.9% from US$34.4 million for the year ended December 31, 2019 to US$32.7 million for the year ended December 31, 2020. This decrease was primarily attributable to decreased sales of infant nutrition products.

Our Other Ventures' results of operations are affected by seasonality. For more information, see "*– Factors Affecting our Results of Operations – Seasonality.*"

Cost of Revenues

Our cost of revenues increased by 17.7% from US$160.2 million for the year ended December 31, 2019 to US$188.5 million for the year ended December 31, 2020. This increase was primarily due to increased sales by our Other Ventures. Our cost of revenues increased at a higher rate than revenue primarily due to an increased proportion of sales of lower margin products by Hutchison Sinopharm. As a result, cost of revenues as a percentage of our revenues increased from 78.2% to 82.7% across these periods.

Research and Development Expenses

Our research and development expenses incurred by Oncology/Immunology increased by 26.5% from US$138.2 million for the year ended December 31, 2019 to US$174.8 million for the year ended December 31, 2020, which was primarily attributable to a US$18.1 million increase in payments to CROs and other clinical trial related costs and a US$18.5 million increase in employee compensation related and other costs. These increased costs were due to a significant expansion of clinical activities in the United States and rapid organizational growth to support such expansion. In particular, this increase was attributable to the expansion of the fruquintinib, surufatinib, HMPL-306 and HMPL-689 development programs. As a result, research and development expenses as a percentage of our revenue increased from 67.4% to 76.7% across these periods.

Selling Expenses

Our selling expenses decreased by 17.4% from US$13.7 million for the year ended December 31, 2019 to US$11.3 million for the year ended December 31, 2020, primarily due to decreased marketing activities after the COVID-19 outbreak. Selling expenses as a percentage of our revenues from our Other Ventures decreased from 7.7% to 5.6% across these periods.

Administrative Expenses

Our administrative expenses increased by 27.6% from US$39.2 million for the year ended December 31, 2019 to US$50.0 million for the year ended December 31, 2020. This was primarily due to US$7.0 million increase in administrative expenses incurred by Oncology/Immunology, which was mainly related to increased staff cost to support the expansion of our clinical activities. There was also an increase of US$3.0 million in administrative expenses incurred by our corporate head office for organizational expansion. Administrative expenses as a percentage of our revenues increased from 19.1% to 21.9% across these periods.

Other Income, net

We had net other income of US$5.3 million for the year ended December 31, 2019, compared to net other income of US$6.9 million for the year ended December 31, 2020. The increase was primarily due to foreign currency exchange gains of US$3.0 million, offset in part by a decline in interest income of US$1.7 million primarily due to lower bank deposit rates.

Income Tax Expense

Our income tax expense increased from US$3.3 million for the year ended December 31, 2019 to US$4.8 million for the year ended December 31, 2020 primarily due to the accrual of withholding tax on the undistributed earnings in relation to the gain on return of land by Hutchison Baiyunshan.

Equity in Earnings of Equity Investees

Our equity in earnings of equity investees, net of tax, increased by 94.2% from US$40.7 million for the year ended December 31, 2019 to US$79.0 million for the year ended December 31, 2020. This change was primarily due to the one-time gain on return of land recorded by Hutchison Baiyunshan of which our attributable portion recorded to equity in earnings of equity investees, net of tax, was US$36.0 million for the year ended December 31, 2020.

Shanghai Hutchison Pharmaceuticals

The following table shows a summary of the results of operations of Shanghai Hutchison Pharmaceuticals for the years indicated. The consolidated financial statements of Shanghai Hutchison Pharmaceuticals are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Year Ended December 31,			
	2019		2020	
	US$'000	%	US$'000	%
Revenue	272,082	100.0	276,354	100.0
Cost of sales	(77,313)	(28.4)	(72,163)	(26.1)
Selling expenses	(110,591)	(40.6)	(111,892)	(40.5)
Administrative expenses	(14,761)	(5.4)	(17,907)	(6.5)
Other net operating income	2,941	1.1	3,473	1.3
Taxation charge	(11,015)	(4.0)	(10,833)	(3.9)
Profit for the year	61,301	22.5	67,020	24.3
Equity in earnings of equity investee attributable to our Company	30,654	11.3	33,502	12.1

Shanghai Hutchison Pharmaceuticals' revenue increased by 1.6% from US$272.1 million for the year ended December 31, 2019 to US$276.4 million for the year ended December 31, 2020, primarily due to an increase in sales of She Xiang Bao Xin pills, a vasodilator used in the treatment of heart conditions. Sales of She Xiang Bao Xin pills increased by 4.4% from US$239.5 million for the year ended December 31, 2019 to US$250.0 million for the year ended December 31, 2020. Additionally, revenue from Shanghai Hutchison Pharmaceuticals' distribution business decreased from US$11.1 million for the year ended December 31, 2019 to US$5.4 million for the year ended December 31, 2020, primarily due to lower provision of services after the discontinuation of our distribution of Seroquel.

Cost of sales decreased by 6.7% from US$77.3 million for the year ended December 31, 2019 to US$72.2 million for the year ended December 31, 2020, primarily due to the discontinuation of our distribution of Seroquel. Additionally, Shanghai Hutchison Pharmaceuticals' revenue increased at a higher rate than cost of sales primarily due to an increased proportion of sales of higher margin She Xiang Bao Xin pills.

Selling expenses increased by 1.2% from US$110.6 million for the year ended December 31, 2019 to US$111.9 million for the year ended December 31, 2020, in line with the increase in revenues.

Administrative expenses increased by 21.3% from US$14.8 million for the year ended December 31, 2019 to US$17.9 million for the year ended December 31, 2020, primarily due to an increase in research and development expenses for new products.

Other net operating income is primarily comprised of government grants and interest income. Other net operating income increased by 18.1% from US$2.9 million for the year ended December 31, 2019 to US$3.5 million for the year ended December 31, 2020, primarily due to higher interest income of US$0.4 million.

Taxation charge decreased by 1.7% from US$11.0 million for the year ended December 31, 2019 to US$10.8 million for the year ended December 31, 2020, primarily due to more tax concessions received in the year ended December 31, 2020.

As a result of the foregoing, profit increased by 9.3% from US$61.3 million for the year ended December 31, 2019 to US$67.0 million for the year ended December 31, 2020. Our equity in earnings of equity investees contributed by this joint venture was US$30.7 million and US$33.5 million for the years ended December 31, 2019 and 2020, respectively.

Hutchison Baiyunshan

The following table shows a summary of the results of operations of Hutchison Baiyunshan for the years indicated. The consolidated financial statements of Hutchison Baiyunshan are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Year Ended December 31,			
	2019		2020	
	US$'000	%	US$'000	%
Revenue	215,403	100.0	232,368	100.0
Cost of sales	(100,279)	(46.6)	(115,564)	(49.7)
Selling expenses	(74,013)	(34.4)	(74,066)	(31.9)
Administrative expenses	(23,817)	(11.1)	(25,664)	(11.0)
Other net operating income	5,626	2.6	6,071	2.6
Gain on return of land	–	–	84,667	36.4
Taxation charge	(3,634)	(1.7)	(16,494)	(7.1)
Profit attributable to equity holders of Hutchison Baiyunshan	19,792	9.2	91,276	39.3
Equity in earnings of equity investee attributable to our Company	9,899	4.6	45,641	19.6

Hutchison Baiyunshan's revenue increased by 7.9% from US$215.4 million for the year ended December 31, 2019 to US$232.4 million for the year ended December 31, 2020, primarily due to an increase in sales of Banlangen, an anti-viral product, after the COVID-19 outbreak.

Cost of sales increased by 15.2% from US$100.3 million for the year ended December 31, 2019 to US$115.6 million for the year ended December 31, 2020, primarily due to an increase in raw material costs for Banlangen.

Selling expenses remained stable at US$74.0 million and US$74.1 million for the years ended December 31, 2019 and 2020, respectively.

Administrative expenses increased by 7.8% from US$23.8 million for the year ended December 31, 2019 to US$25.7 million for the year ended December 31, 2020, primarily due to an increase in general overhead costs incurred.

Other net operating income is primarily comprised of government grants, interest income, brand-licensing income and rental income. Other net operating income increased by 7.9% from US$5.6 million for the year ended December 31, 2019 to US$6.1 million for the year ended December 31, 2020, primarily due to higher government grants of $0.3 million and higher brand-licensing income of $0.2 million.

Taxation charge increased by 354% from US$3.6 million for the year ended December 31, 2019 to US$16.5 million for the year ended December 31, 2020, primarily due to a tax of US$12.7 million on a one-time gain on return of land for the year ended December 31, 2020.

As a result of the foregoing and the one-time gain on return of land of US$84.7 million related to land compensation received from the Guangzhou government, profit attributable to equity holders of Hutchison Baiyunshan increased by 361% from US$19.8 million for the year ended December 31, 2019 to US$91.3 million for the year ended December 31, 2020. Our equity in earnings of equity investees contributed by this joint venture was US$9.9 million and US$45.6 million for the years ended December 31, 2019 and 2020, respectively.

Nutrition Science Partners

Nutrition Science Partners became our consolidated subsidiary subsequent to December 9, 2019. The following table shows a summary of the results of operations of Nutrition Science Partners for the period indicated during which it was a non-consolidated joint venture. The consolidated financial statements of Nutrition Science Partners are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Period Ended December 9, 2019	
	US$'000	**%**
Revenue	–	–
Profit for the period	199	100.0
Equity in earnings of equity investee attributable to our Company	100	50.0

Nutrition Science Partners had no revenues and a profit of US$0.2 million for the period ended December 9, 2019. Our equity in earnings of equity investees contributed by this joint venture was an income of US$0.1 million for the period ended December 9, 2019.

For more information on the financial results of our non-consolidated joint ventures, see "*– Key Components of Results of Operations – Equity in Earnings of Equity Investees*."

Net Loss

As a result of the foregoing, our net loss increased from US$103.7 million for the year ended December 31, 2019 to US$115.5 million for the year ended December 31, 2020. Net loss attributable to our Company increased from US$106.0 million for the year ended December 31, 2019 to US$125.7 million for the year ended December 31, 2020.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2019

Revenues

Our revenue decreased by 4.3% from US$214.1 million for the year ended December 31, 2018 to US$204.9 million for the year ended December 31, 2019, resulting from decreased revenue from our Oncology/Immunology operations.

Revenue from our Oncology/Immunology operations decreased by 35.0% from US$41.2 million for the year ended December 31, 2018 to US$26.8 million for the year ended December 31, 2019. The decrease was primarily due to the fact that the prior period included the milestone payment of US$13.5 million that we received from Eli Lilly following the approval in September 2018 of Elunate in China for the treatment of mCRC. The decrease was also due to a US$7.0 million reduction in service fees from Nutrition Science Partners. These decreases were partially offset by an increase in revenue related to the sale of Elunate from US$3.6 million for the year ended December 31, 2018 to US$10.8 million for the year ended December 31, 2019.

Revenue from our Other Ventures increased by 3.0% from US$172.9 million for the year ended December 31, 2018 to US$178.1 million for the year ended December 31, 2019. The increase was primarily due to an increase in revenue from our prescription drug products. Revenue from prescription drugs increased by 16.5% from US$121.2 million for the year ended December 31, 2018 to US$141.1 million for year ended December 31, 2019 primarily due to increased sales by our consolidated joint venture Hutchison Sinopharm, despite the depreciation of the renminbi against the U.S. dollar by approximately 5% between the periods (using the weighted average monthly exchange rate for the periods). The increase was offset in part by lower provision of services which decreased by 77.8% from US$11.7 million for the year ended December 31, 2018 to US$2.6 million for the year ended December 31, 2019 after the discontinuation of our distribution of Seroquel in May 2019. This increase was also partially offset by a decrease in sales of consumer health products which decreased by 14.1% from US$40.0 million for the year ended December 31, 2018 to US$34.4 million for the year ended December 31, 2019. This decrease was primarily attributable to decreased sales of products in Hong Kong.

Other Ventures' results of operations are affected by seasonality. For more information, see "– *Factors Affecting our Results of Operations – Seasonality*."

Cost of Revenues

Our cost of revenues increased by 11.3% from US$143.9 million for the year ended December 31, 2018 to US$160.2 million for the year ended December 31, 2019. This increase was due to higher costs of goods of US$23.0 million primarily due to increased sales by our Other Ventures, offset in part by a decrease in costs of services of US$6.7 million primarily due to the discontinuation of our distribution of Seroquel. Our cost of revenues increased at a higher rate than revenue from our Other Ventures due to a decreased proportion of sales of higher margin products and services including Seroquel in 2019 compared to 2018. As a result, cost of revenues as a percentage of our revenues increased from 67.2% to 78.2% across these periods.

Research and Development Expenses

Our research and development expenses increased by 21.0% from US$114.2 million for the year ended December 31, 2018 to US$138.2 million for the year ended December 31, 2019, which was primarily attributable to a US$14.1 million increase in payments to CROs and other clinical trial related costs and a US$10.9 million increase in employee compensation related costs. These increased costs incurred by our Oncology/Immunology operations were due to a significant expansion of clinical activities and rapid organizational growth to support such expansion. In particular, this increase was attributable to the expansion of the savolitinib, fruquintinib, surufatinib, HMPL-523 and HMPL-689 development programs. As a result, research and development expenses as a percentage of our revenues increased from 53.3% to 67.4% across these periods.

Selling Expenses

Our selling expenses decreased by 22.6% from US$17.7 million for the year ended December 31, 2018 to US$13.7 million for the year ended December 31, 2019. This decrease was primarily due to the aforementioned discontinuation of our distribution of Seroquel. Selling expenses as a percentage of our revenues from Other Ventures decreased from 10.3% to 7.7% across these periods.

Administrative Expenses

Our administrative expenses increased by 26.9% from US$30.9 million for the year ended December 31, 2018 to US$39.2 million for the year ended December 31, 2019. This was primarily due to a US$5.0 million increase in administrative expenses incurred by our corporate head office for the organizational expansion and increased professional fees associated with equity capital market transactions. There was also an increase of US$2.5 million in administrative expenses incurred by our Oncology/Immunology operations, which was mainly for increased staff costs to support the expansion of our clinical activities. Administrative expenses as a percentage of our revenues increased from 14.4% to 19.1% across these periods.

Other Income, net

We had net other income of US$6.0 million for the year ended December 31, 2018, compared to net other income of US$5.3 million for the year ended December 31, 2019. The decrease was primarily due to a decline in interest income of US$1.0 million from lower amounts of cash, cash equivalents and short-term investments.

Income Tax Expense

Our income tax expense decreased by 17.4% from US$4.0 million for the year ended December 31, 2018 to US$3.3 million for the year ended December 31, 2019 primarily due to a lower level of taxable income generated by the subsidiaries of Other Ventures.

Equity in Earnings of Equity Investees

Our equity in earnings of equity investees, net of tax, increased by 110.5% from US$19.3 million for the year ended December 31, 2018 to US$40.7 million for the year ended December 31, 2019. This change was primarily due to the fact that Nutrition Science Partners had no operating activity in 2019 and the prior period included the full impairment provision of Nutrition Science Partners' intangible assets of which our attributable portion was US$15.0 million.

Shanghai Hutchison Pharmaceuticals

The following table shows a summary of the results of operations of Shanghai Hutchison Pharmaceuticals for the periods indicated. The consolidated financial statements of Shanghai Hutchison Pharmaceuticals are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Year Ended December 31,			
	2018		**2019**	
	US$'000	**%**	**US$'000**	**%**
Revenue	275,649	100.0	272,082	100.0
Cost of sales	(82,710)	(30.0)	(77,313)	(28.4)
Selling expenses	(111,984)	(40.6)	(110,591)	(40.6)
Administrative expenses	(14,522)	(5.3)	(14,761)	(5.4)
Other net operating income	2,705	1.0	2,941	1.1
Taxation charge	(9,371)	(3.4)	(11,015)	(4.0)
Profit for the year	59,767	21.7	61,301	22.5
Equity in earnings of equity investee attributable to our Company	29,884	10.8	30,654	11.3

Shanghai Hutchison Pharmaceuticals' revenue decreased by 1.3% from US$275.7 million for the year ended December 31, 2018 to US$272.1 million for the year ended December 31, 2019, which was primarily due to the depreciation of the renminbi against the U.S. dollar by approximately 4% between the periods (using the weighted average monthly exchange rate for the periods). Additionally, distribution business sales and service revenue decreased by 52.0% from US$23.1 million for the year ended December 31, 2018 to US$11.1 million for the year ended December 31, 2019, primarily due to the lower provision of services from the aforementioned discontinuation of our distribution of Seroquel. The decrease was partially offset by an increase in sales of She Xiang Bao Xin pills, a vasodilator used in the treatment of heart conditions. Sales of She Xiang Bao Xin pills increased by 2.7% from US$233.1 million for the year ended December 31, 2018 to US$239.5 million for the year ended December 31, 2019, primarily due to continued geographical expansion of sales coverage.

Cost of sales decreased by 6.5% from US$82.7 million for the year ended December 31, 2018 to US$77.3 million for the year ended December 31, 2019, primarily due to decreased cost of goods sold as a result of decreased distribution business sales and service revenue.

Selling expenses decreased by 1.2% from US$112.0 million for the year ended December 31, 2018 to US$110.6 million for the year ended December 31, 2019 in line with the decrease in sales.

Administrative expenses increased by 1.6% from US$14.5 million for the year ended December 31, 2018 to US$14.8 million for the year ended December 31, 2019 primarily due to an increase in general overhead costs incurred.

Other net operating income increased by 8.7% from US$2.7 million for the year ended December 31, 2018 to US$2.9 million for the year ended December 31, 2019, primarily due to higher government grants.

Taxation charge increased by 17.5% from US$9.3 million for the year ended December 31, 2018 to US$11.0 million for the year ended December 31, 2019. This was primarily due to the recognition of US$0.7 million deferred tax assets on temporary differences in the year ended December 31, 2018, arising from advertising and promotion expenditures incurred prior to 2018.

As a result of the foregoing, profit increased by 2.6% from US$59.8 million for the year ended December 31, 2018 to US$61.3 million for the year ended December 31, 2019. Our equity in earnings of equity investees contributed by this joint venture was US$29.9 million and US$30.7 million for the years ended December 31, 2018 and 2019, respectively.

Hutchison Baiyunshan

The following table shows a summary of the results of operations of Hutchison Baiyunshan for the periods indicated. The consolidated financial statements of Hutchison Baiyunshan are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Year Ended December 31,			
	2018		2019	
	US$'000	%	US$'000	%
Revenue	215,838	100.0	215,403	100.0
Cost of sales	(102,701)	(47.6)	(100,279)	(46.6)
Selling expenses	(70,501)	(32.7)	(74,013)	(34.4)
Administrative expenses	(25,997)	(12.0)	(23,817)	(11.1)
Other net operating income	4,085	1.9	5,626	2.6
Taxation charge	(4,227)	(2.0)	(3,634)	(1.7)
Profit attributable to equity holders of Hutchison Baiyunshan	16,860	7.8	19,792	9.2
Equity in earnings of equity investee attributable to our Company	8,430	3.9	9,899	4.6

Hutchison Baiyunshan's revenue decreased slightly from US$215.8 million for the year ended December 31, 2018 to US$215.4 million for the year ended December 31, 2019 primarily due to a decrease in sales of Fu Fang Dan Shen due to heightened competitive activity, partially offset by the increase of sales of Hutchison Baiyunshan's other products.

Cost of sales decreased by 2.4% from US$102.7 million for the year ended December 31, 2018 to US$100.3 million for the year ended December 31, 2019 primarily due to the decrease in sales.

Selling expenses increased by 5.0% from US$70.5 million for the year ended December 31, 2018 to US$74.0 million for the year ended December 31, 2019 primarily due to Hutchison Baiyunshan managing more marketing activities directly for its distributors in order to promote broader awareness and consistent messaging for Hutchison Baiyunshan's products.

Administrative expenses decreased by 8.4% from US$26.0 million for the year ended December 31, 2018 to US$23.8 million for the year ended December 31, 2019 primarily due to a decrease in general overhead costs incurred.

Other net operating income increased by 37.7% from US$4.1 million for the year ended December 31, 2018 to US$5.6 million for the year ended December 31, 2019, primarily due to higher brand-licensing income.

Taxation charge decreased by 14.0% from US$4.2 million for the year ended December 31, 2018 to US$3.6 million for the year ended December 31, 2019. This decline was primarily due to the reversal of deferred tax assets previously recognized of US$0.7 million for the year ended December 31, 2018 based on the likelihood of such asset being utilized in the near future.

As a result of the foregoing, profit attributable to equity holders of Hutchison Baiyunshan increased by 17.4% from US$16.9 million for the year ended December 31, 2018 to US$19.8 million for the year ended December 31, 2019. Our equity in earnings of equity investees contributed by this joint venture was US$8.4 million and US$9.9 million for the years ended December 31, 2018 and 2019, respectively.

Nutrition Science Partners

Nutrition Science Partners became our consolidated subsidiary subsequent to December 9, 2019. The following table shows a summary of the results of operations of Nutrition Science Partners for the periods indicated during which it was a non-consolidated joint venture. The consolidated financial statements of Nutrition Science Partners are prepared in accordance with IFRS as issued by the IASB and are presented separately elsewhere in this prospectus.

	Year Ended December 31,		Period Ended December 9,	
	2018		2019	
	US$'000	%	US$'000	%
Revenue	–	–	–	–
(Loss)/profit for the year/period	(38,198)	100.0	199	100.0
Equity in earnings of equity investee attributable to our Company	(19,099)	50.0	100	50.0

Nutrition Science Partners had a loss of US$38.2 million for the year ended December 31, 2018, compared to a profit of US$0.2 million for the period ended December 9, 2019. Nutrition Science Partners had no revenue during these periods. The change was primarily due to the fact that Nutrition Science Partners had no operating activity in 2019 and the prior period included the full impairment provision of Nutrition Science Partners' intangible assets of which our attributable portion was US$15.0 million. Our equity in earnings of equity investees contributed by this joint venture was a loss of US$19.1 million for the year ended December 31, 2018, compared to an income of US$0.1 million for the period ended December 9, 2019.

For more information on the financial results of our non-consolidated joint ventures, see "*– Key Components of Results of Operations – Equity in Earnings of Equity Investees.*"

Net Loss

As a result of the foregoing, our net loss increased from US$71.3 million for the year ended December 31, 2018 to US$103.7 million for the year ended December 31, 2019. Net loss attributable to our Company increased from US$74.8 million for the year ended December 31, 2018 to US$106.0 million for the year ended December 31, 2019.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
		US$'000	
Total current assets	370,541	317,022	530,740
Total non-current assets	161,577	148,100	193,378
Total assets	532,118	465,122	724,118
Total current liabilities	85,479	113,101	158,397
Total non-current liabilities	34,384	39,118	46,772
Total liabilities	119,863	152,219	205,169
Ordinary shares	66,658	66,691	72,772
Additional paid-in capital	505,585	514,904	822,458
Accumulated losses	(183,004)	(289,734)	(415,591)
Accumulated other comprehensive (loss)/income	(243)	(3,849)	4,477
Total Company's shareholders' equity	388,996	288,012	484,116
Non-controlling interest	23,259	24,891	34,833
Total shareholders' equity	412,255	312,903	518,949

Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2018	2019	2020	2021
	US$'000			(Unaudited)
Current assets:				
Cash and cash equivalents	86,036	121,157	235,630	295,617
Short-term investments	214,915	96,011	199,546	169,969
Accounts receivable—third parties	40,176	41,410	46,648	52,442
Accounts receivable—related parties	2,782	1,844	1,222	1,112
Other receivables, prepayments and deposits	13,434	15,769	26,786	27,694
Amounts due from related parties	889	24,623	1,142	1,142
Inventories	12,309	16,208	19,766	23,094
Total current assets	370,541	317,022	530,740	571,070
Current liabilities:				
Accounts payable	25,625	23,961	31,612	34,249
Other payables, accruals and advance receipts	56,327	81,624	120,882	153,596
Income tax payable	555	1,828	1,120	2,391
Deferred revenue	2,540	2,106	1,597	2,140
Amounts due to related parties	432	366	401	189
Lease liabilities	–	3,216	2,785	4,348
Total current liabilities	85,479	113,101	158,397	196,913
Net current assets	285,062	203,921	372,343	374,157

Our net current assets decreased from US$285.1 million as of December 31, 2018 to US$203.9 million as of December 31, 2019, primarily due to the continued investment in our research and development activities. Our net current assets increased from US$203.9 million as of December 31, 2019 to US$372.3 million as of December 31, 2020, primarily due to proceeds from our follow-on offering on the Nasdaq in January and February 2020 and private placements in July 2020 and November 2020, partially offset by the continued investment in our research and development activities.

As of April 30, 2021, the latest practicable date for the purpose of our net current asset position, our net current assets increased to US$374.2 million from US$372.3 million as of December 31, 2020, primarily due to proceeds from the private placement in April 2021, partially offset by the continued investment in our research and development activities.

Short-term investments

Short-term investments as of the dates indicated below consisted of the following bank deposits:

	As of December 31,		
	2018	**2019**	**2020**
		US$'000	
Bank deposits maturing over three months			
Denominated in:			
US$	214,538	73,986	187,961
RMB	–	–	612
HK$	377	22,025	10,973
Total	214,915	96,011	199,546

The weighted average effective interest rate on bank deposits for the years ended December 31, 2018, 2019, 2020 was 2.18% per annum, 2.65% per annum and 1.06% per annum respectively (with maturity ranging from 91 to 100 days, 91 to 129 days and 91 to 180 days, respectively).

Accounts receivable—third parties

Accounts receivable—third parties are recorded at their invoiced amounts, net of allowances for credit losses. An allowance for credit losses is recorded when the collection of the full amount is no longer probable. Management reviews accounts receivable regularly to determine if any receivable will potentially be uncollectible. Accounts receivable are written off after all collection efforts have been exhausted and ceased. The recorded allowance for credit losses was approximately less than US$0.1 million as of December 31, 2018 and 2019 and US$0.1 million as of December 31, 2020, respectively.

Our accounts receivable—third parties balance, net of allowance for credit losses, totaled US$40.2 million, US$41.4 million and US$46.6 million as of December 31, 2018, 2019 and 2020, respectively.

Substantially all accounts receivable are denominated in RMB, US$ and HK$ and are due within one year from the end of the reporting periods. The following table sets forth an aging analysis of our accounts receivable, gross, as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	US$'000		
Not later than 3 months	37,326	37,899	42,434
Between 3 months to 6 months	2,704	2,414	3,118
Between 6 months to 1 year	61	24	23
Later than 1 year	126	1,089	1,168
Total	40,217	41,426	46,743

The movements on the allowance for credit losses are as follows:

	2018	2019	2020	2021
	US$'000			
As at January 1	258	41	16	95
Increase in allowance for credit losses	21	16	95	57
Decrease in allowance due to subsequent collection	(223)	(41)	(18)	(12)
Write-off	(1)	–	–	–
Exchange difference	(14)	–	2	1
As at December 31/April 30[(1)]	41	16	95	141

Note:

(1) As at December 31, 2018, 2019 and 2020 and as at April 30, 2021.

Our credit term for accounts receivable–third parties was generally 30-90 days during the Track Record Period. The average turnover days of such accounts receivable outstanding in 2018, 2019 and 2020 were 72 days, 76 days and 72 days, respectively. The average turnover days of accounts receivable–third parties is calculated by dividing the average balance of accounts receivable owed by third parties as of the beginning and end of the period by total third-party revenue for the relevant period, multiplied by the number of days for the period. As of April 30, 2021, US$41.4 million, or 89%, of the total accounts receivable–third parties outstanding as of December 31, 2020 had been settled. As of April 30, 2021, substantially all accounts receivable–third parties outstanding as of December 31, 2018 and 2019 had been settled (net of credit losses).

Accounts payable

The following table sets forth the total amounts of our accounts payable as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
		US$'000	
Accounts payable—third parties	14,158	19,598	26,756
Accounts payable—non-controlling shareholders of subsidiaries	4,960	4,363	4,856
Accounts payable—related party	6,507	–	–
Total	25,625	23,961	31,612

Substantially all accounts payable are denominated in RMB and US$ and are due within one year from the end of the reporting periods. The following table sets forth an aging analysis of our accounts payable as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
		US$'000	
Not later than 3 months	19,185	20,658	26,270
Between 3 months to 6 months	5,584	1,846	3,364
Between 6 months to 1 year	703	1,394	782
Later than 1 year	153	63	1,196
Total	25,625	23,961	31,612

Our credit term for accounts payable–third parties was generally 30-90 days during the Track Record Period. The average turnover days of such accounts payable outstanding in 2018, 2019 and 2020 were 49 days, 43 days and 51 days, respectively. The average turnover days of accounts payable–third parties is calculated by dividing the average balance of accounts payable owed to third-parties as of the beginning and end of the period by total cost of purchases from third party suppliers for the relevant period, multiplied by the number of days for the period. As of April 30, 2021, US$27.6 million, or 87% of the total accounts payable outstanding as of December 31, 2020 had been settled. As of April 30, 2021, substantially all accounts payable outstanding as of December 31, 2018 and 2019 had been settled.

Inventory

Our inventories are primarily comprised of prescription drugs and consumer health products sold by our Other Ventures operations and our self-discovered and developed drugs Elunate and Sulanda sold by our Oncology/Immunology operations since 2018 and 2021, respectively. Our average inventory turnover days were 32 days, 33 days and 36 days in 2018, 2019 and 2020, respectively. The average inventory turnover days is calculated by dividing the average balance of inventories as of the beginning and end of the period by total costs of goods for the relevant period, multiplied by the number of days for the period. As of April 30, 2021, we had utilized an aggregate of US$16.6 million, or 84%, of our total inventories as of December 31, 2020.

Other payables, accruals and advance receipts

Other payables, accruals and advance receipts consisted of the following:

	As of December 31,		
	2018	**2019**	**2020**
		US$'000	
Accrued salaries and benefits	8,962	13,258	21,982
Accrued research and development expenses[(1)]	28,883	48,531	72,697
Accrued selling and marketing expenses	4,675	3,337	5,747
Accrued administrative and other general expenses	5,934	8,411	10,319
Deferred government grants	1,817	445	374
Deposits	1,230	1,778	1,408
Dividend payable to non-controlling shareholder of a subsidiary	1,282	–	–
Others	3,544	5,864	8,355
Total	56,327	81,624	120,882

Note:

(1) The increase in accrued research and development expenses primarily resulted from a significant expansion of clinical activities.

Accumulated other comprehensive (loss)/income

As the U.S. dollar is the reporting currency used in our consolidated financial statements, the financial statements of our subsidiaries with a functional currency other than the U.S. dollar have been translated into U.S. dollars. All assets and liabilities of the subsidiaries are translated using year-end exchange rates and revenues and expenses are translated at average exchange rates for the year. Translation adjustments are reflected in accumulated other comprehensive (loss)/income in shareholders' equity. We recorded a foreign currency translation loss of US$6.6 million and US$4.3 million for the years ended December 31, 2018 and December 31, 2019, respectively, and a foreign currency translation gain of US$9.5 million for the year ended

December 31, 2020 in our consolidated financial statements. These losses and gains primarily resulted from translating the financial statements of our subsidiaries which use the renminbi as their functional currency into U.S. dollars at exchange rates that fluctuated from year to year.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have taken a multi-source approach to fund our operations, including through cash flows generated and dividend payments from our Other Ventures, service and milestone and upfront payments from our Oncology/Immunology collaboration partners, and bank borrowings. Since our founding, we have received various financial support from CK Hutchison in the form of undertakings for bank borrowings, as well as investments from other third parties, proceeds from our listings on the AIM in 2006 and the Nasdaq in 2016 and our follow-on offerings in 2017 and 2020.

Our Oncology/Immunology operations have historically not generated significant profits or have operated at a net loss, as creating potential global first-in-class or best-in-class drug candidates requires a significant investment of resources over a prolonged period of time. As a result, we anticipate that we may need additional financing for our Oncology/Immunology operations in future periods. See "*Risk Factors – Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates – Historically, our in-house research and development division, which is included in our Oncology/Immunology operations, has not generated significant profits or has operated at a net loss. Our future profitability is dependent on the successful commercialization of our drug candidates*."

As of December 31, 2020, we had cash and cash equivalents and short-term investments of US$435.2 million and unutilized bank facilities of US$69.4 million. Substantially all of our bank deposits are at major financial institutions, which we believe are of high credit quality. As of December 31, 2020, we had US$26.9 million in bank loans, all of which was related to a term loan from HSBC. The total weighted average cost of bank borrowings for the year ended December 31, 2020 was 1.89% per annum. For additional information, see "– *Loan Facilities*."

Certain of our subsidiaries and non-consolidated joint ventures, including those registered as wholly foreign-owned enterprises in China, are required to set aside at least 10.0% of their after-tax profits to their general reserves until such reserves reach 50.0% of their registered capital. There is no fixed percentage of after-tax profit required to be set aside for the general reserves for our PRC joint ventures. Profit appropriated to the reserve funds for our subsidiaries and non-consolidated joint ventures incorporated in the PRC was approximately US$15,000, US$51,000 and US$44,000 for the years ended December 31, 2018, 2019 and 2020, respectively. In addition, as a result of PRC regulations restricting dividend distributions from such reserve funds and from a company's registered capital, our PRC subsidiaries are restricted in their ability to transfer a certain amount of their net assets to us as cash dividends, loans or advances. This restricted portion amounted to US$0.2 million as of December 31, 2020. Although we do not currently require any such dividends, loans or advances from our PRC subsidiaries to fund our operations, should we require additional sources of liquidity in the future, such restrictions may have a material adverse effect on our liquidity and capital resources. For more information, see "*Appendix IV – Regulatory Overview and Taxation – Regulatory Overview – PRC Regulation of Foreign Currency Exchange, Offshore Investment and State-Owned Assets – Regulation on Dividend Distribution*."

In addition, our non-consolidated joint ventures held an aggregate of US$89.1 million in cash and cash equivalents and no bank borrowings as of December 31, 2020. These cash and cash equivalents are only accessible by us through dividend payments from these joint ventures. The level of dividends declared by these joint ventures is subject to agreement each year between us and our joint venture partners based on the profitability and working capital needs of the joint ventures. As a result, we cannot guarantee that these joint ventures will continue to pay dividends to us in the future at the same rate we have enjoyed in the past, or at all, which may have a material adverse effect on our liquidity and capital resources. For more information, see "*Risk Factors – Risks Relating to Sales of our Internally Developed Drugs and other Drugs – As a significant portion of the operations of our Other Ventures is conducted through joint ventures, we are dependent on the success of our joint ventures and our receipt of dividends or other payments from our joint ventures for cash to fund our operations and our investments in joint ventures subject to liquidity risk*."

We believe that our current levels of cash and cash equivalents, short-term investments, along with cash flows from operations, dividend payments, expected proceeds from the disposal of Hutchison Baiyunshan and unutilized bank borrowings, will be sufficient to meet our anticipated cash needs for at least the next 12 months from the date of this prospectus. However, we may require additional financing in order to fund all of the clinical development efforts that we plan to undertake to accelerate the development of our clinical-stage drug candidates. For more information, see "*Risk Factors – Risks Relating to Our Financial Position and Need for Capital*."

	Year Ended December 31,		
	2018	2019	2020
		US$'000	
Cash Flow Data:			
Operating cash flows before changes in working capital	(40,010)	(97,017)	(91,339)
Changes in working capital	7,163	16,105	29,273
Net cash used in operating activities	(32,847)	(80,912)	(62,066)
Net cash generated from/(used in) investing activities	43,752	119,028	(125,441)
Net cash (used in)/generated from financing activities	(8,231)	(1,493)	296,434
Net increase in cash and cash equivalents	2,674	36,623	108,927
Effect of exchange rate changes	(1,903)	(1,502)	5,546
Cash and cash equivalents at beginning of the year	85,265	86,036	121,157
Cash and cash equivalents at end of the year	86,036	121,157	235,630

Net Cash used in Operating Activities

Net cash used in operating activities was US$80.9 million for the year ended December 31, 2019, compared to net cash used in operating activities of US$62.1 million for the year ended December 31, 2020. The net change of US$18.8 million was primarily attributable to an increase in dividends received from Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan of US$58.6 million from US$28.1 million for the year ended December 31, 2019 to US$86.7 million for the year ended December 31, 2020. The net change was partially offset by higher net losses, primarily due to an increase in research and development expenses of US$36.6 million from US$138.2 million for the year ended December 31, 2019 to US$174.8 million for the year ended December 31, 2020.

Net cash used in operating activities was US$32.8 million for the year ended December 31, 2018, compared to net cash used in operating activities of US$80.9 million for the year ended December 31, 2019. The net change of US$48.1 million was primarily attributable to the increase in net loss of US$32.4 million from US$71.3 million for the year ended December 31, 2018, which included our Company's US$15.0 million share of Nutrition Science Partner's non-cash impairment provision, to US$103.7 million for the year ended December 31, 2019. Additionally, the net change was also a result of a decrease in dividends received from equity investees of US$7.1 million from US$35.2 million for the year ended December 31, 2018 to US$28.1 million for the year ended December 31, 2019.

Net Cash generated from/(used in) Investing Activities

Net cash generated from investing activities was US$119.0 million for the year ended December 31, 2019, compared to net cash used in investing activities of US$125.4 million for the year ended December 31, 2020. The net change of US$244.4 million was primarily attributable to a net withdrawal of deposits in short-term investments of US$118.9 million for the year ended December 31, 2019 compared to a net deposit in short-term investments of US$103.5 million for the year ended December 31, 2020. The net change was also attributable to a purchase of leasehold land of US$11.6 million in Shanghai.

Net cash generated from investing activities was US$43.8 million for the year ended December 31, 2018, compared to net cash generated from investing activities of US$119.0 million for the year ended December 31, 2019. The net change of US$75.2 million was primarily attributable to net withdrawal of deposits in short-term investments of US$58.1 million for the year ended December 31, 2018 compared to the net withdrawal of deposits in short-term investments of US$118.9 million for the year ended December 31, 2019. The net change was also attributable to the acquisition of 50% shareholding of Nutrition Science Partners held by our joint venture partner, which resulted in a net cash inflow of US$8.7 million.

Net Cash (used in)/generated from Financing Activities

Net cash used in financing activities was US$1.5 million for the year ended December 31, 2019, compared to net cash generated from financing activities of US$296.4 million for the year ended December 31, 2020. The net change of US$297.9 million was primarily attributable to net proceeds of US$310.0 million from our follow-on offering in the United States in January and February 2020 and private placements in July 2020 and November 2020.

Net cash used in financing activities was US$8.2 million for the year ended December 31, 2018, compared to net cash used in financing activities of US$1.5 million for the year ended December 31, 2019. The net change of US$6.7 million was primarily attributable to purchases of ADSs by our Company for the settlement of certain equity awards totaling US$0.3 million for the year ended December 31, 2019 as compared to US$5.5 million for the year ended December 31, 2018, as well as the repayment of a US$1.6 million loan to a non-controlling shareholder of a subsidiary in the year ended December 31, 2018.

Loan Facilities

In November 2018, our subsidiary Hutchison China MediTech (HK) Limited renewed a three-year revolving loan facility with HSBC. The facility amount of this loan is HK$234.0 million (US$30.0 million) with an interest rate at HIBOR plus 0.85% per annum. This credit facility is guaranteed by us and includes certain financial covenant requirements. No amount was drawn from this loan facility as of December 31, 2020.

In August 2018, Hutchison China MediTech (HK) Limited entered into a credit facility agreement with each of Bank of America, N.A. and Deutsche Bank AG for the provision of unsecured credit facilities in the aggregate amount of HK$507.0 million (US$65.0 million). The credit facility with Bank of America, N.A. is a HK$351.0 million (US$45.0 million) revolving loan facility, with a term of 24 months and an interest rate at HIBOR plus 1.35% per annum. The credit facility with Deutsche Bank AG is a HK$156.0 million (US$20.0 million) revolving loan facility with a term of 24 months and an interest rate at HIBOR plus 1.35% per annum. Each of these credit facilities expired in August 2020.

In February 2017, Hutchison China MediTech (HK) Limited entered into a credit facility agreement with each of Bank of America, N.A. and Deutsche Bank AG for the provision of unsecured credit facilities in the aggregate amount of HK$546.0 million (US$70.0 million). The credit facility with Bank of America, N.A. included (i) a HK$156.0 million (US$20.0 million) term loan facility and (ii) a HK$195.0 million (US$25.0 million) revolving loan facility, both with a term of 18 months and an interest rate at HIBOR plus 1.25% per annum. The term loan was drawn from this credit facility in March 2017 and repaid and terminated in May 2018. The credit facility with Deutsche Bank AG included (i) a HK$78.0 million (US$10.0 million) term loan facility and (ii) a HK$117.0 million (US$15.0 million) revolving loan facility, both with a term of 18 months and an interest rate at HIBOR plus 1.25% per annum. The term loan was drawn from this credit facility in August 2017 and repaid and terminated in May 2018. Both revolving loan facilities were terminated in August 2018.

In November 2017, our subsidiary Hutchison China MediTech Finance Holdings Limited entered into facility agreements with Scotiabank (Hong Kong) Limited for the provision of unsecured credit facilities in the aggregate amount of HK$400.0 million (US$51.3 million). The credit facilities included (i) a HK$210.0 million (US$26.9 million) 3-year term loan facility and (ii) a HK$190.0 million (US$24.4 million) 18-month revolving loan facility. The term loan bore interest at HIBOR plus 1.50% per annum. The revolving loan facility bore interest at HIBOR plus 1.25% per annum. These credit facilities were guaranteed by us and included certain financial covenant requirements. The term loan was drawn in May 2018 and was fully repaid in June 2019. The revolving loan facility expired in May 2019.

In May 2019, Hutchison China MediTech (HK) Limited entered into additional credit facility arrangements with HSBC for the provision of unsecured credit facilities in the aggregate amount of HK$400.0 million (US$51.3 million). The 3-year credit facilities include (i) a HK$210.0 million (US$26.9 million) term loan facility and (ii) a HK$190.0 million (US$24.4 million) revolving loan facility, both with an interest rate at HIBOR plus 0.85% per annum. These credit facilities are guaranteed by us and include certain financial covenant requirements. In October 2019, we drew down HK$210.0 million (US$26.9 million) from the term loan facility and as of December 31, 2020, no amount was drawn from the revolving loan facility.

In August 2020, Hutchison China MediTech (HK) Limited entered into a 24-month revolving credit facility with Deutsche Bank AG in the amount of HK$117.0 million (US$15.0 million) with an interest rate at HIBOR plus 4.5% per annum. This revolving facility is guaranteed by us and includes certain financial covenant requirements. As of December 31, 2020, no amount was drawn from the revolving loan facility.

Our non-consolidated joint ventures Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan had no bank borrowings outstanding as of December 31, 2020.

Capital Expenditures

We had capital expenditures of US$6.4 million, US$8.6 million and US$19.6 million, for the years ended December 31, 2018, 2019 and 2020, respectively. Our capital expenditures during these periods were primarily used for the purchases of property, plant and equipment to expand the Hutchison MediPharma research facilities and the manufacturing facility in Suzhou, China, and the acquisition of leasehold land in 2020 for a new large-scale manufacturing facility for innovative drugs in Shanghai, China. Our capital expenditures have been primarily funded by cash flows from operations and proceeds from our initial public and follow-on offerings in the United States and other equity offerings.

As of December 31, 2020, we had commitments for capital expenditures of approximately US$5.1 million, primarily for the construction of the new manufacturing facility in Shanghai. We expect to fund these capital expenditures through cash flows from operations, bank borrowings and existing cash resources.

Our non-consolidated joint venture Shanghai Hutchison Pharmaceuticals had capital expenditures of US$5.2 million, US$4.6 million and US$2.4 million for the years ended December 31, 2018, 2019 and 2020, respectively. These capital expenditures were primarily related to the improvements of the production facilities in Shanghai. These capital expenditures were primarily funded through cash flows from operations of Shanghai Hutchison Pharmaceuticals.

Our non-consolidated joint venture Hutchison Baiyunshan had capital expenditures of US$5.4 million, US$3.4 million and US$2.3 million for the years ended December 31, 2018, 2019 and 2020, respectively. These capital expenditures were primarily related to the construction and improvements of the production facilities in Guangzhou and Bozhou. These capital expenditures were primarily funded through cash flows from operations of Hutchison Baiyunshan.

Working Capital Sufficiency

Our liquidity and capital resource needs over the next 12 months primarily relate to progressing the development of our drug candidates towards receiving regulatory approval and commencing product commercialization, expanding our drug candidate portfolio, as well as operating expenses and working capital for our Oncology/Immunology marketed products and Other Ventures.

Working Capital Sufficiency Statement

After taking into consideration the financial resources available to us including our cash and cash equivalents on hand, short-term investments, available credit facilities, the expected proceeds from the disposal of Hutchison Baiyunshan, the expected proceeds from the Global Offering and expected dividends from our Other Ventures, in the absence of unforeseeable circumstances, the Directors confirm that we have sufficient working capital to satisfy our liquidity and capital resource needs over the next 12 months from the date of this prospectus.

Our ability to obtain additional funding beyond our anticipated cash needs for the next 12 months following the date of this prospectus, however, is subject to a variety of uncertainties, including our future results of operations, our future business plans, financial condition and cash flows and economic, political and other conditions in the markets where we and our customers and lenders operate.

After due consideration of the above and discussions with the Company, the Joint Sponsors concur with the view of the Directors regarding the working capital sufficiency statement above.

INDEBTEDNESS

During the Track Record Period, we had indebtedness primarily in the form of bank borrowings. The table below sets forth a breakdown of our overall indebtedness as reported in the consolidated balance sheets, as of the dates indicated. All amounts are unsecured and unguaranteed unless otherwise noted.

	As of December 31,			As of April 30,
	2018	2019	2020	2021
		US$'000		
				(Unaudited)
Non-current				
Bank borrowings	26,739	26,818	26,861	26,875
Loan from non-controlling shareholder of a subsidiary	579	579	579	579
Lease liabilities	–	3,049	6,064	6,094
Current				
Lease liabilities	–	3,216	2,785	4,348
Total indebtedness	**27,318**	**33,662**	**36,289**	**37,896**

Bank borrowings are presented net of unamortized debt issuance costs. Lease liabilities were recognized on January 1, 2019 after the adoption of ASC 842, Leases, and presented based on the present value of future lease payments under the Group's lease agreements.

The table below sets forth a maturity profile of our overall indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2018	2019	2020	2021
		US$'000		
				(Unaudited)
Indebtedness repayable within:				
Less than one year	–	3,402	3,059	4,665
One to two years	26,923	1,302	29,352	30,031
Two to five years	–	28,865	3,484	2,852
Five years or more	579	579	1,063	989
	27,502	**34,148**	**36,958**	**38,537**
Less: unamortized debt issuance costs and interest	(184)	(486)	(669)	(641)
Total indebtedness	**27,318**	**33,662**	**36,289**	**37,896**

For details of our loan facilities, see "– *Loan Facilities*." During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants set out in our loan facilities. Our Directors confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings. Our Directors also confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. Taking into consideration our financial position, our Directors are of the opinion that we are able to abide by the covenants in our loan facilities amid current market conditions and that our capital raising abilities were not materially affected as of December 31, 2020.

Except as discussed above and below, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), lease liabilities, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at close of business on April 30, 2021.

Indebtedness Statement

As of April 30, 2021, being the latest practicable date for the purpose of the indebtedness statement:

- the total balance of our interest-bearing loans on demand or due within one year was nil;
- the total balance of our interest-bearing bank loans due after one year was US$26.9 million;
- the total balance of our loan from non-controlling shareholder of a subsidiary was US$0.6 million;
- lease liabilities were approximately US$10.4 million;
- we had unutilized loan and credit facilities of approximately US$69.4 million;
- other than as disclosed in "– *Indebtedness*" and "– *Contingent Liabilities*" and apart from intra-group liabilities, we had no other debt securities, borrowings, debts, mortgages, charges, acceptance credits, hire purchase commitments, liabilities under acceptances (other than normal trade bills), contingent liabilities or guarantees.

Since April 30, 2021, other than as disclosed above, there has been no material adverse change to our indebtedness. The US$0.6 million loan from non-controlling shareholder of a subsidiary was repaid in May 2021.

KEY FINANCIAL RATIOS

The table below sets forth, as at the dates indicated, certain of our key financial ratios:

	As at December 31,		
	2018	2019	2020
Current ratio[(1)]	433%	280%	335%
Quick ratio[(2)]	419%	266%	323%

Notes:

(1) Current ratio is calculated as current assets divided by current liabilities, multiplied by 100%.

(2) Quick ratio is calculated as current assets minus inventories then divided by current liabilities, multiplied by 100%.

Current Ratio

Our current ratio decreased from 433% as at December 31, 2018 to 280% as at December 31, 2019, primarily due to decrease in short-term investments and increased in other payables, accruals and advanced receipts. Our current ratio then increased to 335% as at December 31, 2020 primarily due to the increase in cash and cash equivalents and short-term investments after our follow-on offering on Nasdaq in January and February 2020 and two private placements completed in July 2020 and November 2020.

Quick Ratio

Our quick ratio decreased from 419% as at December 31, 2018 to 266% as at December 31, 2019, primarily due to decrease in short-term investments and increased in other payables, accruals and advanced receipts. Our quick ratio then increased to 323% as at December 31, 2020 primarily due to the increase in cash and cash equivalents and short-term investments after our follow-on offering on Nasdaq in January and February 2020 and two private placements completed in July 2020 and November 2020.

RELATED PARTY TRANSACTIONS

Prior to the Listing, we have entered into certain material related party transactions (some of which will constitute connected transactions under the Listing Rules upon Listing) with CK Hutchison, its affiliates and other parties, as follows:

Relationship with CK Hutchison

- Letters of awareness with respect to loans – see "*Relationship with the CKHH Group – Independence of the Group from the CKHH Group – Financial Independence*."

- Relationship Agreement with the CK Hutchison group – see "*Relationship with the CKHH Group – Independence of the Group from the CKHH Group – Relationship Agreement with HWCL.*"

- Products sold to group companies of CK Hutchison group – see "*Connected Transactions – Overview – Non-Exempt Continuing Connected Transactions – Supply of Products by the Group to A.S. Watson Group and Provision of Associated Marketing Services by A.S. Watson Group*" and "*– Product Labelling Services*."

- Intellectual property licensed by the CK Hutchison group – see "*Connected Transactions – Overview – Exempt Continuing Connected Transactions – Brand License Agreement.*"

- Sharing of services with the CK Hutchison group – see "*Connected Transactions – Overview – Exempt Continuing Connected Transactions – Sharing of Administrative and Office Support Services.*"

Agreements with Our Directors and Executive Officers

Director and Executive Officer Compensation

See "*Directors and Senior Management – Directors' Remuneration and Remuneration of Five Highest Paid Individuals*" for a discussion of our compensation of directors and executive officers.

Equity Compensation

See "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*."

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. We also maintain a general liability insurance policy which covers certain liabilities of our directors and executive officers arising out of claims based on acts or omissions in their capabilities as directors or officers.

In addition, we have entered into certain other related party and/or connected transactions – see "*Connected Transactions*" for details.

TREND INFORMATION

Other than as described elsewhere in this prospectus, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income, profitability, liquidity or capital resources, or that would cause our reported financial information to not be indicative of future operation results or financial condition.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any material off-balance sheet arrangements.

CONTINGENT LIABILITIES

Other than as disclosed in "– *Contractual Obligations and Commitments*," the Group does not have any other significant commitments or contingent liabilities.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth our contractual obligations as of December 31, 2020. Our purchase obligations relate to property, plant and equipment that are contracted for but not yet paid. Our lease obligations primarily comprise future aggregate minimum lease payments in respect of various factories, warehouse, offices and other assets under non-cancellable lease agreements.

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			US$'000		
Bank borrowings	26,923	–	26,923	–	–
Interest on bank borrowings	393	277	116	–	–
Purchase obligations	5,053	5,053	–	–	–
Lease obligations	12,420	3,349	5,481	2,128	1,462
Total	44,789	8,679	32,520	2,128	1,462

Shanghai Hutchison Pharmaceuticals

The following table sets forth the contractual obligations of our non-consolidated joint venture Shanghai Hutchison Pharmaceuticals as of December 31, 2020. Shanghai Hutchison Pharmaceuticals' purchase obligations comprise capital commitments for property, plant and equipment contracted for but not yet paid. Shanghai Hutchison Pharmaceuticals' lease obligations primarily comprise future aggregate minimum lease payments in respect of various offices under non-cancellable lease agreements.

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			US$'000		
Purchase obligations	902	902	–	–	–
Lease obligations	154	135	19	–	–
Total	1,056	1,037	19	–	–

Hutchison Baiyunshan

The following table sets forth the contractual obligations of our non-consolidated joint venture Hutchison Baiyunshan as of December 31, 2020. Hutchison Baiyunshan's purchase obligations comprise capital commitments for property, plant and equipment contracted for but not yet paid. Hutchison Baiyunshan's lease obligations primarily comprise future aggregate minimum lease payments in respect of various warehouses under non-cancellable lease agreements.

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			US$'000		
Purchase obligations	1,633	1,633	–	–	–
Lease obligations	905	598	307	–	–
Total	2,538	2,231	307	–	–

RECONCILIATION BETWEEN U.S. GAAP AND IFRS

Our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 are prepared in accordance with U.S. GAAP, which differs in certain respects from IFRS.

Financial Years Ended December 31, 2018, 2019 and 2020

For the years ended December 31, 2018, 2019 and 2020, the three main reconciling items between U.S. GAAP and IFRS for our consolidated financial statements are the amortization of leases, issuance costs incurred in the offering of equity securities and classification of our LTIP awards. The effects of material differences prepared under U.S. GAAP and IFRS for such years are as follows:

	Year Ended December 31,		
	2018	2019	2020
		US$'000	
Reconciliation of net loss attributable to our Company in the consolidated statements of operations			
Net loss attributable to our Company as reported under U.S. GAAP	(74,805)	(106,024)	(125,730)
IFRS adjustments:			
Leases amortization (note (a))	–	50	29
Issuance costs (note (b))	–	–	860
Net loss attributable to our Company as reported under IFRS	(74,805)	(105,974)	(124,841)

	December 31,		
	2018	2019	2020
		US$'000	
Reconciliation of total shareholders' equity in the consolidated balance sheets			
Total shareholders' equity as reported under U.S. GAAP	412,255	312,903	518,949
IFRS adjustments:			
Leases amortization (note (a))	–	(165)	(162)
Issuance costs (note (b))	–	–	860
LTIP classification (note (c))	1,235	3,403	7,089
Total shareholders' equity as reported under IFRS	413,490	316,141	526,736

	December 31,		
	2018	2019	2020
		US$'000	
Reconciliation of total Company's shareholders' equity in our Company balance sheets (parent company only)			
Total Company's shareholders' equity as reported under U.S. GAAP	388,996	288,012	484,116
IFRS adjustments:			
Leases amortization (note (a))	–	(143)	(120)
Issuance costs (note (b))	–	–	860
LTIP classification (note (c))	1,235	3,403	7,089
Total Company's shareholders' equity as reported under IFRS	390,231	291,272	491,945

Notes:

(a) Leases amortization

Under U.S. GAAP, for operating leases, the amortization of right-of-use assets and the interest expense element of lease liabilities are recorded together as lease expenses, which results in a straight-line recognition effect in the consolidated statements of operations. Under IFRS, all leases are accounted for like finance leases where right-of-use assets are generally depreciated on a straight-line basis while lease liabilities are measured under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of operations of less than US$0.1 million for the years ended December 31, 2019 and 2020 and a difference in total shareholders' equity under IFRS of US$0.2 million as at December 31, 2019 and 2020.

(b) Issuance costs

Under U.S. GAAP and IFRS, there are differences in the criteria for capitalization of issuance costs incurred in the offering of equity securities. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of operations of US$0.9 million for the year ended December 31, 2020 and a difference in total shareholders' equity of US$0.9 million as at December 31, 2020 in relation to capital market activities.

(c) LTIP classification

Under U.S. GAAP, LTIP awards with performance conditions are classified as liability-settled awards prior to the determination date as they settle in a variable number of shares based on a determinable monetary amount, which is determined upon the actual achievement of performance targets. After the determination date, the LTIP awards are reclassified as equity-settled awards.

Under IFRS, LTIP awards are classified as equity-settled awards, both prior to and after the determination date, as they are ultimately settled in Shares or the equivalent ADSs of the Company instead of cash. Accordingly, the reconciliation includes a classification difference between liabilities under U.S. GAAP and total shareholders' equity under IFRS of US$1.2 million, US$3.4 million and US$7.1 million as at December 31, 2018, 2019 and 2020, respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Most of our revenue and expenses are denominated in renminbi, and our consolidated financial statements are presented in U.S. dollars. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. In general, our exposure to foreign exchange risks are limited.

The value of the renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the renminbi to the U.S. dollar. Under the revised policy, the renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the renminbi against the U.S. dollar in the following three years. Between July 2008 and June 2010, this appreciation halted, and the exchange rate between the renminbi and U.S. dollar remained within a narrow band. In June 2010, the PBOC announced that the PRC government would increase the flexibility of the exchange rate, and thereafter allowed the renminbi to appreciate slowly against the U.S. dollar within the narrow band fixed by the PBOC. At various times since then, the PBOC has significantly devalued the renminbi against the U.S. dollar. If we decide to convert renminbi into U.S. dollars for the purpose of making payments for dividends on our Shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the renminbi would have a negative effect on the U.S. dollar amounts available to us.

Credit Risk

Substantially all of our bank deposits are in major financial institutions, which we believe are of high credit quality. We limit the amount of credit exposure to any single financial institution. We make periodic assessments of the recoverability of trade and other receivables and amounts due from related parties. Our historical experience in collection of receivables falls within the recorded allowances, and we believe that we have made adequate provision for uncollectible receivables.

Interest Rate Risk

We have no significant interest-bearing assets except for bank deposits. Our exposure to changes in interest rates is mainly attributable to our bank borrowings, which bear interest at floating interest rates and expose us to cash flow interest rate risk. We have not used any interest rate swaps to hedge our exposure to interest rate risk. We have performed sensitivity analysis for the effects on our results for the year from changes in interest rates on floating rate borrowings. The sensitivity to interest rates used is based on the market forecasts available at the end of the reporting period and under the economic environments in which we operate, with other variables held constant. According to the analysis, the impact on our net loss of a 1.0% interest rate shift would be a maximum increase/decrease of US$0.3 million for the year ended December 31, 2020.

DIVIDENDS AND DISTRIBUTABLE RESERVES

We have never declared or paid dividends on our Shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not have any present plan to pay any dividends. The declaration and payment of any dividends in the future will be determined by our Board in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition, and contractual restrictions.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders and ADS holders, we will rely to some extent on any dividends distributed by our PRC subsidiaries and joint ventures. Any dividend distributions from our PRC subsidiaries and joint ventures to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "*Risk Factors – Other Risks and Risks Relating to Doing Business in China – There is uncertainty regarding the PRC withholding tax rate that will be applied to distributions from our PRC subsidiaries and joint ventures to their respective Hong Kong immediate holding companies, which could have a negative impact on our business.*"

As of December 31, 2020, we had no distributable reserves.

INFLATION

In recent years, China has not experienced significant inflation, and thus inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the Consumer Price Index in China increased by 1.9%, 4.5% and 0.2% in 2018, 2019 and 2020, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3 to the Accountant's Report in Appendix I to this prospectus for information regarding recent accounting pronouncements.

LISTING EXPENSES

Listing expenses mainly include underwriting commissions, professional fees paid to the reporting accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. Assuming an Offer Price of HK$45.00 per Share (Maximum Offer Price), we estimate that the listing expenses will be approximately HK$238.9 million (US$30.6 million) of which approximately HK$14.3 million (US$1.8 million) will be charged to our consolidated statements of operations and approximately HK$224.6 million (US$28.8 million) will be capitalized. We estimate that the listing expenses will represent approximately 5.1% of the estimated gross proceeds from the Listing (assuming the Over-allotment Option is not exercised).

FINANCIAL GUIDANCE FOR 2021

It is our regular practice, similar to several other companies listed on Nasdaq, to issue current year financial guidance to our investors in connection with the release of our annual financial results for the preceding year, and to update the guidance during the course of the current year if required by material developments. On March 4, 2021, we issued the following financial guidance in connection with the release of our financial results for 2020:

Our financial guidance for 2021 reflects expected commercial progress on Elunate and Sulanda as well as the potential launch of savolitinib in mid-2021. While we do not provide net cash flow guidance for 2021, we do expect an increase in investment to support the many new potential registration studies we plan this year as well as the continued expansion of our organization in China, the United States and Europe.

To support our growth plans, we continue to actively evaluate non-core assets divestment opportunities as well as monitor market conditions for seeking further listings on other stock exchanges.

	2021 Guidance
Oncology/Immunology consolidated revenues:	US$110 – 130 million

Prospective investors should exercise caution in relying on the above financial guidance and should note that:

- the above financial guidance was not prepared for the purpose of the Global Offering;

- we can provide no guarantee that the statements contained in the financial guidance will materialize or that the financial results contained therein will be achieved or are likely to be achieved; and

- we have in the past revised our financial guidance and reference should be made to any announcements published by us regarding any updates to the financial guidance after the date of publication of this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, having performed reasonable due diligence on the Group, since December 31, 2020 (being the date to which the latest audited consolidated financial information of our Company was prepared) and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of the Company as at the Latest Practicable Date and immediately following the completion of the Global Offering:

Number of Shares		Nominal Value *(US$)*
Authorized share capital		
1,500,000,000	Shares	150,000,000
Issued and to be issued, fully paid or credited as fully paid		
744,515,660	Shares in issue as at the Latest Practicable Date	74,451,566
104,000,000	Shares to be issued pursuant to the Global Offering (before any exercise of the Over-allotment Option)	10,400,000
15,600,000	Shares to be issued pursuant to the Over-allotment Option (assuming the Over-allotment Option is fully exercised)	1,560,000
864,115,660	**Total**	**86,411,566**

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares, any Shares which may be issued pursuant to the share option schemes as described below or pursuant to the Warrant as described in "*History and Corporate Structure – Warrant*" after the Latest Practicable Date.

RANKING

The Offer Shares are ordinary shares in the share capital of the Company, will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by the Company following the completion of the Global Offering. See "*Appendix V – Summary of the Constitution of the Company and Cayman Companies Law*" for details of circumstances under which general meetings are required.

SHARE OPTION AND LONG-TERM INCENTIVE SCHEMES

The Company adopted the 2005 Hutchmed Option Scheme, 2015 Hutchmed Option Scheme and the LTIP, and Hutchison MediPharma Holdings, a subsidiary of the Company, adopted the 2014 Hutchison MediPharma Option Scheme. For further details of the Schemes, see "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*."

GENERAL MANDATES GRANTED TO THE DIRECTORS

General mandates have been granted to the Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, see "*Appendix VI – Statutory and General Information – Further Information About the Company*."

So far as is known to any Director or chief executive of the Company as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full), each of the following persons (other than a Director or chief executive of the Company) will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, once the Shares are listed on the Stock Exchange:

Interests and Long Positions in Shares

Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate Percentage (%)
Hutchison Healthcare Holdings Limited	Beneficial owner	332,478,770	38.48%
Hutchison Whampoa (China) Limited[(1)]	Interest of controlled corporation	332,490,755	38.48%
CK Hutchison Global Investments Limited[(1)]	Interest of controlled corporation	332,502,740	38.48%
CK Hutchison Holdings Limited[(1)]	Interest of controlled corporation	332,502,740	38.48%
Capital International Investors[(2)]	Beneficial owner	52,958,742	6.13%

Notes:

(1) CK Hutchison Holdings Limited wholly owns CK Hutchison Global Investments Limited, which holds more than one-third of the issued share capital of Hutchison Whampoa (China) Limited, which wholly owns Hutchison Healthcare Holdings Limited. Accordingly, Hutchison Whampoa (China) Limited is deemed to be interested in the Shares Hutchison Healthcare Holdings Limited holds; CK Hutchison Global Investments Limited is deemed to be interested in the Shares Hutchison Whampoa (China) Limited holds and is deemed to be interested in; and CK Hutchison Holdings Limited is deemed to be interested in the Shares CK Hutchison Global Investments Limited is deemed to be interested in.

(2) Capital International Investors is a division of Capital Research and Management Company, as well as its investment management subsidiaries and affiliates Capital Bank and Trust Company, Capital International, Inc., Capital International Limited, Capital International Sarl and Capital International K.K. (together with Capital Research and Management Company, the "**Capital Investment Management Entities**"). Capital International Investors' divisions of each of the Capital Investment Management Entities collectively provide investment management services under the name "Capital International Investors." Capital International Investors is deemed to be the beneficial owner of 52,958,742 Shares (comprising 10,130,453 ADSs, representing 50,652,265 Shares, and 2,306,477 Shares).

OVERVIEW

As at the Latest Practicable Date, CK Hutchison, through CKHGI, HWCL and HHHL, was interested in approximately 44.66% of the Shares in issue.

Immediately following the completion of the Global Offering, CK Hutchison, through CKHGI, HWCL and HHHL, will be indirectly interested in approximately 39.19% of the Shares in issue (assuming the Over-allotment Option is not exercised) or approximately 38.48% of the Shares in issue (assuming the Over-allotment Option is exercised in full). Accordingly, each of CK Hutchison, CKHGI, HWCL and HHHL will remain as a Controlling Shareholder of the Company immediately following the completion of the Global Offering.

BACKGROUND OF THE CONTROLLING SHAREHOLDERS

CK Hutchison

CK Hutchison and its subsidiaries are principally engaged in four core businesses: ports and related services, retail, infrastructure and telecommunications. The shares of CK Hutchison are listed and traded on the Main Board of the Stock Exchange (stock code: 1).

CKHGI, HWCL and HHHL

CKHGI, a subsidiary of CK Hutchison, is principally engaged in investment holding.

HWCL, a subsidiary of CKHGI, is one of the the investment arms of CK Hutchison in China and is engaged in a number of ventures and other activities. These investments include the manufacture and distribution of household and industrial detergent products, the provision of aircraft maintenance, engineering and cabin cleaning services, the provision of logistics and (through interest in shares in the Company) the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases.

HHHL, a directly held subsidiary of HWCL, is principally engaged in investment holding. The CKHH Group's interest of approximately 44.66% of the Shares in issue as of the Latest Practicable Date was held through HHHL, CKHGI and HWCL.

INDEPENDENCE OF THE GROUP FROM THE CKHH GROUP

The Directors are of the view that the Group is able to carry on its business independently from the CKHH Group following the completion of the Global Offering for the following reasons:

(a) Clear Delineation of Business

There is a clear and distinct delineation of the businesses of the Group and the businesses of the CKHH Group. The Company is an innovative, commercial-stage, biopharmaceutical company commited to the discovery and global development and commercialization of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases.

As at the Latest Practicable Date, the CKHH Group does not carry on any biopharmaceuticals businesses apart from their interests in the Group. The CKHH Group also has an interest of approximately 45.32% in the issued shares of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life**"), which is listed on the Stock Exchange (Stock Code: 0775). CK Life's businesses comprise (i) agriculture-related business, (ii) nutraceutical business and (iii) pharmaceutical R&D primarily focusing on drug candidates in development in North America, including a cancer vaccine for melanoma, and a non-opioid based analgesic. A number of directors of CKHH are also directors of CK Life.

According to the information published by CK Life, while CK Life is working on cancer vaccines targeting multiple types of cancers, in terms of clinical-stage development programs, CK Life is only engaged in the development of one cancer therapy, being a cancer vaccine for melanoma. None of the drugs in the Group's clinical drug portfolio are focused on melanoma.

On the basis of the above focus of the pharmaceutical R&D business of CK Life, that the clinical drug portfolio of the Group is not focused on a melanoma, and that the operations of the Group in cancer discovery, development and commercialization are significantly larger in scale and with a different focus to those of CK Life, the Directors do not consider that the businesses of CK Life compete, or are likely to compete, either directly or indirectly with the Group's business.

(b) Financial Independence

The Group has sufficient funds to support its business operation, including payments received from the Group's collaboration partners, cash flows generated from and dividend payments from the Group's Other Ventures operations, the proceeds raised from the Company's initial public offering on AIM, the Company's initial public offering and follow-on offerings on the Nasdaq, investments from other third parties, and bank borrowings and, upon completion of the Global Offering, the net proceeds from the issue of the Offer Shares by the Company pursuant to the Global Offering.

CK Hutchison has provided letters of awareness to certain lenders to the Group stating that it was aware that loan facilities had been provided to the Group and that its current intention was that for so long as amounts were outstanding under such loan facilities, it would not reduce its direct or indirect shareholding in the Company to below 40% of the issued share capital of the Company. As of the Latest Practicable Date, US$26.9 million was outstanding under such loan facilities. Upon the completion of the Global Offering, CK Hutchison's

shareholding will be below 40% of the issued share capital of the Company. Following the completion of the Global Offering, the relevant letters of awareness in respect of the outstanding loan facilities will be replaced to state that it is the current intention of CK Hutchison that for so long as any amount is outstanding under the relevant facility, it will not reduce its direct or indirect shareholding in the Company so as to result in it ceasing to be the single largest indirect shareholder of the Company.

As at the Latest Practicable Date, there are no loans or guarantees which are provided by the CKHH Group to or for the benefit of the Group.

Accordingly, the Directors are of the view that the Group is able to operate financially independently from the CKHH Group.

(c) Independence of Directors and Management

The Board of Directors consists of ten Directors, comprising four Executive Directors, two Non-executive Directors and four Independent Non-executive Directors.

Of the ten Directors, one Executive Director, two Non-executive Directors and one Independent Non-executive Director currently hold positions within the CKHH Group, details of which are set out below:

Name and position on the Board of the Company	Material position in the CKHH Group
Mr. TO Chi Keung, Simon (Executive Director)	Managing director of HWCL and director of certain of its subsidiaries
Dr. Dan ELDAR (Non-executive Director)	Executive director of Hutchison Water Israel Ltd, an associated company of CK Hutchison
Ms. Edith SHIH (Non-executive Director)	Executive director and the company secretary of CK Hutchison, a non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited which is listed on the Stock Exchange (stock code: 00215), a non-executive director of Hutchison Port Holdings Management Pte. Limited, a wholly-owned subsidiary of CK Hutchison and the trustee-manager of Hutchison Port Holdings Trust, a container port business trust which is listed on the Singapore Exchange (stock code: NS8U), and a member of the board of commissioners of PT Duta Intidaya Tbk, which is listed on the Jakarta Stock Exchange (stock code: DAYA), and director and the company secretary of certain other subsidiaries of CK Hutchison
Mr. Graeme Allan JACK (Independent Non-executive Director)	Independent non-executive director of Hutchison Port Holdings Management Pte. Limited

The Directors are of the view that the Board and the senior management of the Group are able to function independently of the CKHH Group for the following reasons:

(i) more than half of the members of the Board (comprising three Executive Directors (being Mr. Christian Lawrence HOGG, Mr. CHENG Chig Fung, Johnny and Dr. Wei-guo SU) and all of the Independent Non-executive Directors) are independent of, and do not have any directorships and/or other roles with, the CKHH Group (except for Mr. Graeme Allan JACK's role as an independent non-executive director of Hutchison Port Holdings Management Pte. Limited as noted above);

(ii) none of the members of the senior management of the Group, who are responsible for the day-to-day management of the Group's business, holds any directorship and/or other roles with the CKHH Group; and

(iii) pursuant to the Articles, a Director who to his knowledge is, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board. A Director shall not vote (nor be counted in the quorum) on any resolutions of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, except in certain prescribed circumstances set out in the Articles. The provisions in the Articles ensure that matters involving a conflict of interest will be managed in line with general corporate governance practice to protect the interests of the Company and its Shareholders as a whole. In addition, the Listing Rules provide protection for the Company and its Shareholders in relation to any non-exempt connected transactions so that, as and when required, the Company will provide the Shareholders with the recommendation of an independent board committee, comprising the Independent Non-executive Directors only, and the independent financial adviser, and seek the approval of independent shareholders at a general meeting.

(d) Independence of Operations and Administrative Capability

The Group carries out its own operations independently of the CKHH Group and has its management, finance, R&D, business development, manufacturing and sales and marketing functions.

Certain non-management administrative functions are shared with the CKHH Group, as described in the section headed "*Connected Transactions*." However, all essential administrative functions are carried out by the Group without requiring the support of the CKHH Group. In particular, the Group has its own business units and responsible employees for performing all essential administrative functions such as finance and accounting, internal control and administration and operations. Accordingly, the Directors are of the view that the Group is administratively independent from the CKHH Group.

(e) Ongoing Continuing Connected Transactions with the CKHH Group

Following the Listing, certain transactions between the Group and the CKHH Group will become continuing connected transactions of the Company under the Listing Rules. The details of such continuing connected transactions are set out in "*Connected Transactions*." All of these continuing connected transactions have been, and will continue to be, conducted on arm's length commercial terms or better for the Group.

(f) Relationship Agreement with HWCL

In connection with the admission of the Shares on AIM and with a view to ensuring that the Company is able to carry on its business independently of the CKHH Group, the Company entered into a relationship agreement with HWCL on April 21, 2006, which was amended and restated on June 13, 2019 with effect from June 3, 2015 (the "**Relationship Agreement**"). The Relationship Agreement will continue until the first to occur of (i) the Shares ceasing to be traded on AIM; or (ii) the CKHH Group ceases to be entitled to exercise, or to control the exercise of 30% or more of the rights to vote at general meetings of the Company.

Pursuant to the Relationship Agreement, (i) all transactions between any of the Group or the Company's joint ventures, on the one hand, and HWCL and/or its associates (excluding the Group), on the other hand, will be on an arm's length basis, on normal commercial terms and in a manner consistent with the AIM Rules; and (ii) HWCL will not exercise its voting rights and powers so as to amend the Articles of Association in a manner which is inconsistent with the Relationship Agreement.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors is interested in any business apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business.

OVERVIEW

Prior to the Listing, the Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Details of the continuing connected transactions of the Company following the Listing are set out below.

A. Exempt Continuing Connected Transactions

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Brand License Agreement

(a) Description of the Transaction

The Company (as licensee) and Hutchison Whampoa Enterprises Limited ("**HWEL**") (as licensor) entered into a brand license agreement (the "**Brand License Agreement**") on April 21, 2006 (as amended and restated on June 15, 2021 with effect from March 4, 2021) pursuant to which the Company has been granted a non-exclusive, non-transferable, royalty-free right to use trademarks, domain names and other intellectual property rights owned by the licensor and/or its associates. The Brand License Agreement came into force on May 19, 2006, being the date of commencement of the listing and trading of the Shares on AIM, and will continue in force until terminated in accordance with its terms. HWEL may terminate the Brand License Agreement (or any sub-license) if, among other things, the Company commits a material breach of the agreement, or within any twelve-month period of any change occurring where the aggregate direct or indirect shareholding in the Company of CK Hutchison, an indirect shareholder of the Company, is reduced to less than 40%, 30% or 20%. On termination of the Brand License Agreement, the Company (and any sub-licensees) must immediately cease using the brands and is obliged to withdraw from sale any products bearing the brands; provided that if the Brand License Agreement is terminated following a change in CK Hutchison's aggregate direct or indirect shareholding in the Company, the Company will have a transitional period of up to six months during which the Company (and any sub-licensees) can continue to use the licensed rights for limited purposes and on certain conditions.

(b) Listing Rules Implications

As HWEL is a subsidiary of CK Hutchison, it is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company and the license granted under the Brand License Agreement, upon the Listing, will constitute a connected transaction of the Company. As the license granted under the Brand License Agreement is on a royalty-free basis, the transactions under the Brand License Agreement will, pursuant to Rule 14A.76(1)(a) of the Listing Rules, constitute *de minimis* continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

2. Sharing of Administrative and Office Support Services

(a) Description of the Transaction

The Group has been sharing, and will continue to share, administrative and office support services with HWCL. Accordingly, Hutchison China MediTech Investment Limited, a wholly-owned subsidiary of the Company and HWCL entered into a services agreement (the "**Services Agreement**") on June 1, 2020, pursuant to which HWCL will continue to share or procure other members of the HWCL group to continue to share administrative and office support services to the Group. The Services Agreement came into force on February 4, 2020 and will continue in force until terminated in accordance with its terms. The Services Agreement may be terminated by either party by giving not less than one month's written notice. HWCL may also immediately terminate the Services Agreement if the direct or indirect shareholding of CK Hutchison in the Company falls below 30%.

The administrative and office support services covered under the Services Agreement include the participation and sharing in group insurance schemes, medical schemes and pension schemes, the participation in group procurement projects with third-party vendors and suppliers, other staff benefits and training services, company functions and activities services, legal and regulatory services, company secretarial support services, the use of company cars, sharing of executive offices and other support services. The fees payable by the Group for the sharing of administrative and office support services under the Services Agreement are determined based on costs which are identifiable and allocated to the Group on a fair and equitable basis.

(b) Listing Rules Implications

As HWCL is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules and sharing of administrative and office support services under the Services Agreement will constitute continuing connected transactions of the Company upon the Listing. As the sharing of administrative and office support services are provided on a cost basis, are identifiable and are allocated between the Group and HWCL and/or its associates on a fair and equitable basis, the transactions under the Services Agreement will, pursuant to Rule 14A.98 of the Listing Rules, constitute continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

3. Purchase of Telecommunications Services

(a) Description of the Transaction

There are existing supply arrangements whereby Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 215) ("**Hutchison Telecommunications**") and/or its subsidiaries provide telecommunications services to the Group and charge the Group for telecommunications services fees based on market rates.

(b) Listing Rules Implications

As Hutchison Telecommunications is a subsidiary of CK Hutchison, it is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company and the transactions in relation to the provision of telecommunications services will constitute continuing connected transactions of the Company upon the Listing. As the highest applicable percentage ratio in respect of the transactions in relation to the provision of telecommunications services will, on an annual basis, be less than 0.1% and the transactions are on normal commercial terms, such transactions will, pursuant to Rule 14A.76(1)(a) of the Listing Rules, constitute *de minimis* continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

4. Provision of Logistics Services by Sinopharm

(a) Description of the Transaction

In relation to the distribution of prescription drugs in the PRC, the Group has engaged Sinopharm Pharmaceutical Logistics Co., Ltd. (國藥集團醫藥物流有限公司) ("**Sinopharm Logistics**") to provide logistics services from time to time. The service fees will be based on fixed unit price negotiated on an arm's length basis.

(b) Listing Rules Implications

Sinopharm Logistics is a subsidiary of Sinopharm, which is a substantial shareholder of a subsidiary of the Company and a connected person of the Company. Accordingly, Sinopharm Logistics is a connected person of the Company by virtue of being an associate of Sinopharm and the provision of logistics services by Sinopharm will, upon the Listing, constitute continuing connected transactions of the Company. As the highest applicable percentage ratio in respect of the transactions in relation to the provision of logistics services will, on an annual basis, be less than 1% and the transactions are between the Group and a connected person of the Company at the subsidiary level and the transactions are on normal commercial terms, such transactions will, pursuant to Rule 14A.76(1)(b) of the Listing Rules, constitute *de minimis* continuing connected transactions exempt from reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

B. Non-Exempt Continuing Connected Transactions

1. Supply of Products by the Group to A.S. Watson Group and Provision of Associated Marketing Services by A.S. Watson Group

(a) Description of the Transactions

From time to time, the Group may supply products to A.S. Watson Holdings Limited, an indirect subsidiary of CK Hutchison ("**A.S. Watson**") and/or its subsidiaries ("**A.S. Watson Group**"), including the retail grocery and pharmacy chains, Park N Shop (HK) Ltd. ("**PARKnSHOP**") and A.S. Watson Retail (HK) Ltd ("**Watsons**"), which are owned and operated by A.S. Watson. In connection with the supply and sale of the products by the Group, A.S. Watson Group may also from time to time provide marketing services associated with the products to the Group.

The Company entered into a framework products supply and marketing services agreement with A.S. Watson (the "**A.S. Watson Framework Connected Transactions Agreement**") on June 15, 2021 to govern all existing and future supply of products by the Group to A.S. Watson Group and the associated provision of marketing services by A.S. Watson Group to the Group.

The A.S. Watson Framework Connected Transactions Agreement provides that all transactions in relation to the supply of products by the Group to A.S. Watson Group must be conducted (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the supply price being determined with reference to fixed unit prices which are negotiated on an arm's length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The A.S. Watson Framework Connected Transactions Agreement further provides that all transactions in relation to the provision of marketing services by A.S. Watson Group in connection with the supply of products by the Group must be conducted (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the service fees being negotiated on an arm's length basis and on terms no less favourable to the Group than the terms available to the Group from its independent third parties and the terms offered by A.S. Watson Group to other independent third parties and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The A.S. Watson Framework Connected Transactions Agreement expires on December 31, 2023 and is automatically renewable for a successive period of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than one month's prior notice or otherwise in accordance with the terms of the A.S. Watson Framework Connected Transactions Agreement.

(b) Historical Transaction Amounts

The aggregate transaction amount recorded by the Group to A.S. Watson Group for the supply of products for the three years ended December 31, 2018, 2019 and 2020 were approximately US$8.31 million, US$7.64 million and US$5.48 million, respectively. The decrease in the actual transaction amount during the Track Record Period was primarily due to a decrease in sales in products as a result of the impact of COVID-19.

The aggregate transaction amount paid by the Group to A.S. Watson Group for the provision of associated marketing services for the three years ended December 31, 2018, 2019 and 2020 were approximately US$0.55 million, US$0.43 million and US$0.33 million, respectively. The decrease in the actual transaction amount during the Track Record Period was in line with the decrease in the supply of products by the Group to A.S. Watson Group during the same periods.

(c) Caps on Future Transaction Amounts

In relation to the supply of products by the Group, it is expected that the maximum annual transaction amount receivable by the Group from A.S. Watson Group for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$12.46 million, US$14.95 million and US$17.94 million, respectively. These caps were determined by reference to (i) the historical transaction amounts, (ii) the expected remediation in the impact of COVID-19 on the product sales, (iii) the expected growth in sales volume of existing products from 2021 to 2023, (iv) the expected growth to be contributed by new products which the Group expects to supply since 2021, and (v) the estimated sale price for the products which the Group supplies. Accordingly, the Company considers such estimated annual caps to be reasonable given the expected growth in business operation of the Group.

In relation to the provision of associated marketing services by A.S. Watson Group to the Group, it is expected that the maximum annual transaction amount payable by the Group to A.S. Watson Group for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$1.25 million, US$1.50 million and US$1.79 million, respectively. These caps were determined by reference to (i) the historical transaction amounts, (ii) the expected growth in demand for marketing services over the next three years, (iii) additional services for the promotion of new products and (iv) the amount charged by A.S. Watson Group for the provision of marketing services as negotiated between the parties.

(d) Listing Rules Implications

As A.S. Watson is a subsidiary of CK Hutchison, it is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company, and the supply of products by the Group to A.S. Watson Group and the provision of associated marketing services by A.S. Watson Group to the Group will, upon the Listing, constitute continuing connected transactions of the Company.

In relation to the supply of products by the Group, as the highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 5%, such continuing connected transactions will, upon the Listing, be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In relation to the provision of associated marketing services by A.S. Watson Group, as the highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 0.1% but less than 5%, and the transactions are on normal commercial terms, such continuing connected transactions will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Product Labelling Services

(a) Description of the Transaction

There is an existing arrangement whereby Hutchison Hain Organic (Hong Kong) Limited ("**HHOHK**"), a wholly-owned subsidiary of a consolidated joint venture of the Company, engaged PARKnSHOP to provide product labelling services for products supplied by HHOHK to PARKnSHOP, a retail grocery chain owned and operated by the A.S. Watson Group.

The Company has entered into the A.S. Watson Framework Connected Transactions Agreement with A.S. Watson (as further described in *"– Supply of Products by the Group to A.S. Watson Group and Provision of Associated Marketing Services by A.S. Watson Group"* above), which provides that all transactions in relation to the provision of product labelling services by A.S. Watson Group must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the service fees being negotiated on an arm's length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

(b) Historical Transaction Amounts

The aggregate transaction amount accrued by the Group for A.S. Watson Group for the provision of product labelling services for the three years ended December 31, 2018, 2019 and 2020 were approximately US$0.35 million, US$0.29 million and US$0.29 million, respectively.

(c) Caps on Future Transaction Amounts

It is expected that the maximum annual transaction amount payable by the Group to A.S. Watson Group for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$0.66 million, US$0.79 million and US$0.95 million, respectively.

These caps were determined by reference to (i) the historical transaction amounts and (ii) expected growth in product sales and corresponding increase in demand for product labelling services.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 0.1% but less than 5%, and the transactions are on normal commercial terms, such continuing connected transactions will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Provision of Travel Services

(a) Description of the Transaction

There are existing supply arrangements whereby Hutchison Travel Limited ("**Hutchison Travel**") and/or its subsidiaries (together, the "**Hutchison Travel Group**") provide travel services (e.g. bookings and reservations for air tickets) to the Group and charge the Group services fees based on market prices.

The Company entered into a framework travel services agreement with Hutchison Travel (the "**Framework Travel Services Agreement**") on June 15, 2021 to govern all existing and future provision of travel services by Hutchison Travel Group to the Group.

The Framework Travel Services Agreement provides that all transactions in relation to the provision of travel services by Hutchison Travel Group must be conducted (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the services fees being determined based on market prices and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Framework Travel Services Agreement expires on December 31, 2023 and is automatically renewable for a successive period of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than one month's prior notice or otherwise in accordance with the terms of the Framework Travel Services Agreement.

(b) Historical Transaction Amounts

The aggregate service fees accrued by the Group for Hutchison Travel Group for the provision of travel services for the three years ended December 31, 2018, 2019 and 2020 were approximately US$0.42 million, US$0.22 million, US$0.01 million, respectively. There were only limited travel services provided in 2020 mainly due to the outbreak of COVID-19, but the Group expects to continue to engage Hutchison Travel Group for the provision of travel services in the future.

(c) Caps on Future Transaction Amounts

It is expected that the maximum annual service fees payable by the Group to Hutchison Travel Group for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$1.00 million, US$1.50 million and US$2.25 million, respectively.

These caps were determined by reference to (i) the historical transaction amounts prior to COVID-19 and (ii) the expected increase in the Group's demand for travel services over the next three years (I) upon the resumption of business travel after COVID-19 and (II) due to the significant expansion of the Group's international operations since 2018 and the expected continued expansion of its international operations.

(d) Listing Rules Implications

As Hutchison Travel is a subsidiary of CK Hutchison, it is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company, the supply of travel services by Hutchison Travel Group to the Group will, upon the Listing, constitute continuing connected transactions of the Company. As the highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 0.1% but less than 5%, and the transactions are on normal commercial terms, such continuing connected transactions will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Hain Products Supply Agreement

(a) Description of the Transaction

As part of the commercial reasons for the establishment of HHOHK, and pursuant to the terms of the joint venture agreement entered into between Hain Celestial and Hutchison Organic Holdings Limited, a wholly-owned subsidiary of the Company, on October 8, 2009 (the "**Hain JV Agreement**"), a Hain Products Supply Agreement (the "**Hain Products Supply Agreement**") was entered into between Hain Celestial and HHOHK on October 27, 2009 (as amended and supplemented on July 1, 2011), pursuant to which Hain Celestial appointed HHOHK to market, distribute and sell the products within the current brands of Hain Celestial in certain territories and agreed to supply such products in connection with the appointment.

The supply price for each product will be an amount equal to Hain Celestial's standard cost plus a margin of 10%, or such other percentage that is equal to Hain Celestial's sales margin for intercompany sales among its group companies plus 2%. The standard cost will consist of the actual cost of the raw materials, packaging materials, manufacturing expenses, amortization of mold and die expenses, variation and logistics. HHOHK will also reimburse Hain Celestial for any necessary licensing fees in relation to the third-party endorsement incurred in connection with the supply of the products to HHOHK.

Unless terminated in accordance with the Hain Products Supply Agreement, the Hain Products Supply Agreement became effective on the date of signing and will continue in full force and effect so long as the Hain JV agreement is in full force and effect. Pursuant to the Hain Products Supply Agreement, either party may terminate the Hain Products Supply Agreement if, among other things, (i) the other party files a petition of any type as to its bankruptcy, be declared bankrupt or become insolvent, or (ii) the other party is in material breach of the Hain Products Supply Agreement and shall have failed to cure such breach within 30 days of receipt of written notice thereof. See "*Waivers and Exemption*."

(b) Joint Sponsors' Confirmation on the Term of the Hain Products Supply Agreement

The term of the Hain Products Supply Agreement is for an unspecified term. The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reason for entering into the Hain Products Supply Agreement, which was to establish a long-term cooperation relationship with Hain Celestial and to further expand the business operation of the Group, (ii) the nature of the long-term cooperation of the parties as contemplated under the Hain JV Agreement and the Hain Products Supply Agreement, which is evidenced by the fact that the Hain Products Supply Agreement is for an unspecified term unless being terminated by the parties under the termination clause, and (iii) the termination rights each party has under the Hain Products Supply Agreement, it is reasonable for the Hain Products Supply Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

(c) Historical Transaction Amounts

The aggregate transaction amounts recorded by the Group from Hain Celestial for the supply of products for the three years ended December 31, 2018, 2019 and 2020 were approximately US$15.42 million, US$12.73 million and US$13.25 million, respectively. The decrease in the actual transaction amount in 2019 was primarily due to Hain Celestial's production constraints which had since been remediated, and the transaction amount in 2020 was impacted by COVID-19.

(d) Caps on Future Transaction Amounts

It is expected that the maximum annual transaction amount to be recorded by the Group from Hain Celestial for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$23.14 million, US$27.76 million and US$33.32 million, respectively.

These caps were determined by reference to (i) the historical transaction amounts, (ii) the expected growth in sales volume of existing products from 2021 to 2023, (iii) the expected contribution of new products from expanding product assortment and product lines (such as non-dairy beverage, vegan meat, natural salt, UHT milk, cereal and protein bars), which will contribute more than 20% additional increase in transaction amount under the Hain Products Supply Agreement in 2021 compared to 2018 (when the transaction amount was not affected by the production constraints in 2019 or COVID-19 in 2020), (iv) increasing consumer awareness in and demand for organic and natural products which are expected to drive the growth in sales of both existing and new products to end customers and in turn the Group's demand for such products from Hain Celestial by on average not more than 50% per year, and (v) the supply price for the products which is expected to increase in line with the trend of increase in consumer price indices and rising logistics costs. Considering the continuous and long-term cooperation relationship with Hain Celestial and the expected growth of this line of the Group's business, the Company also expects to maintain and further expand the sales to end customers from 2021 to 2023. Based on the foregoing, and considering the 36% growth in transaction amount in the three months ended March 31, 2021 compared to the same period in 2020, the Company considers the estimated annual caps to be reasonable.

(e) Listing Rules Implications

Hutchison Hain Organic is a consolidated joint venture of the Company and therefore a subsidiary of the Company under the Listing Rules. As Hain Celestial holds 50% of the interest in Hutchison Hain Organic, Hain Celestial is a connected person of the Company by virtue of being a substantial shareholder of a subsidiary of the Company. Accordingly, the transactions under the Hain Products Supply Agreement will, upon the Listing, constitute continuing connected transactions of the Company under the Listing Rules.

The highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 5%. As the transactions under the Hain Products Supply Agreement are between the Group and a connected person at the subsidiary level, are on normal commercial terms, the Directors have approved the transactions and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in section D below, such continuing connected transactions will, upon Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Framework Sinopharm Products Supply and Purchase Agreement

(a) Description of the Transactions

Hutchison Sinopharm has been supplying/purchasing prescription drugs to/from Sinopharm and/or its associates.

The Company entered into a framework products supply and purchase agreement with Sinopharm (the "**Framework Sinopharm Products Supply and Purchase Agreement**") on June 15, 2021 to govern all existing and future (i) supply of products by the Group to Sinopharm and/or its associates and (ii) purchase of products by the Group from Sinopharm and/or its associates.

The Framework Sinopharm Products Supply and Purchase Agreement provides that all transactions thereunder must be conducted (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the supply price and/or purchase price (as the case may be) being determined with reference to fixed unit prices which are negotiated on an arm's length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Framework Sinopharm Products Supply and Purchase Agreement expires on December 31, 2023 and is automatically renewable for a successive period of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than one month's prior notice or otherwise in accordance with the terms of the Framework Sinopharm Products Supply and Purchase Agreement.

(b) Historical Transaction Amounts

The aggregate transaction amount recorded by the Group to Sinopharm and/or its associates for the supply of products by the Group for the three years ended December 31, 2018, 2019 and 2020 were approximately US$26.24 million, US$29.34 million and US$36.86 million, respectively.

The aggregate transaction amount paid by the Group to Sinopharm and/or its associates for the purchase of products by the Group for the three years ended December 31, 2018, 2019 and 2020 were approximately US$0.51 million, US$1.74 million and US$2.55 million, respectively.

(c) Caps on Future Transaction Amounts

In relation to the supplying of products by the Group, it is expected that the maximum annual transaction amount receivable by the Group from Sinopharm and/or its associates for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$134.50 million, US$236.75 million and US$335.78 million, respectively. These caps were determined by reference to (i) the historical transaction amounts, (ii) the estimated overall sales of existing prescription drugs to double due to expansion of product portfolio and distribution channels such as private hospitals and drug stores, (iii) new contribution of the commercial sales of Sulanda beginning since its commercial launch as a treatment for patients with advanced non-pancreatic NET in China in mid-January 2021 which is estimated to increase multiple times after the potential inclusion in the NRDL and deeper market penetration through potential new indication for pancreatic NET which is at NDA review stage in China, and (iv) the average forecast growth of an estimated 50% to 100% per year in the commercial sales of Sulanda between 2021 and 2023 through increased market penetration. Based on the foregoing, and considering the overall 105% growth in transaction amount in the three months ended March 31, 2021 compared to the same period in 2020, the Company considers the estimated annual caps to be reasonable.

In relation to the purchase of products by the Group, it is expected that the maximum annual transaction amount payable by the Group to Sinopharm and/or its associates for the three years ending December 31, 2021, 2022 and 2023 will not exceed US$4.08 million, US$4.90 million and US$5.88 million, respectively. These caps were determined by reference to (i) the historical transaction amounts and historical growth in purchase volume resulting from the development of business with new hospital channels, (ii) the supply price for the products and (iii) the expected further increase in the purchase volume resulting from the development of business with new hospital channels and expansion of sales to such new hospital channels.

(d) Listing Rules Implications

As Sinopharm is a substantial shareholder of a subsidiary of the Company, it is a connected person of the Company and the supply to and purchase from Sinopharm of products by the Group will, upon the Listing, constitute continuing connected transactions of the Company.

In relation to the supply of products by the Group, the highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 5%. As the transactions are between the Group and a connected person at the subsidiary level and are on normal commercial terms, the Directors have approved the transactions and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in section D below, and such continuing connected transactions will, upon Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In relation to the purchase of the products by the Group, the highest applicable percentage ratio in respect of each of the caps will, on an annual basis, be more than 1% but less than 5%. As the transactions are between the Group and a connected person at the subsidiary level and on normal commercial terms, such continuing connected transactions will, upon Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

6. HBYS Brand License Royalty Agreement

(a) Background of the Transaction

Hutchison Chinese Medicine (Guangzhou) Investment Limited ("**HCMGIL**") and Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited entered into an equity joint venture contract dated November 28, 2004 with respect to the establishment of Hutchison Baiyunshan (the "**HBYS JVA**"), which was subsequently amended on July 5, 2007 to replace HCMGIL with Guangzhou Hutchison Chinese Medicine (HK) Investment Limited ("**Guangzhou HCM**") as a joint venture party to the HBYS JVA upon the transfer of the 50% interest in Hutchison Baiyunshan from HCMGIL to Guangzhou HCM. Guangzhou HCM is 100% owned by HCMGIL, which is 100% owned by Hutchison BYS (Guangzhou) Holding Limited ("**HBYSGH**"), which is in turn 80% owned by Hutchison Chinese Medicine Holding Limited ("**HCMH**"), a wholly owned subsidiary of the Company.

Pursuant to the HBYS JVA, Guangzhou HCM agreed to procure HWEL to grant a royalty-free license to Hutchison Baiyunshan to use certain "Hutchison Whampoa"-related trade marks and logos (the "**HWL Trade Marks**"). HWEL had entered into brand licenses with Hutchison Baiyunshan and certain of its subsidiaries ("**HBYS JV Companies**") in relation to the use of the HWL Trade Marks, which have terms of up to the operating term of Hutchison Baiyunshan (together, the "**HWL Brand License**").

HBYSGH and GL Mountrose Investment Two Limited (the "**Purchaser**") entered into a sale and purchase agreement on March 24, 2021 (the "**SPA**") pursuant to which HBYSGH agreed to sell the entire issued share capital of HCMGIL to the Purchaser (the "**HBYS Disposal**"), as further described in *"History and Corporate Structure – Acquisition and Disposal.*" Following the completion of the HBYS Disposal, the terms of the HBYS JVA, including the obligation on Guangzhou HCM to procure HWEL to grant a royalty-free license to Hutchison Baiyunshan to use the HWL Trade Marks, are expected to remain in force.

(b) Description of the Transaction

In order to allow Guangzhou HCM to continue to comply with the terms of the HBYS JVA in relation to procuring the grant of a royalty-free license to Hutchison Baiyunshan to use the HWL Trade Marks and therefore to facilitate the HBYS Disposal, HBYSGH agreed pursuant to the SPA that it would, as a condition to the completion of the HBYS Disposal, procure HWEL to continue to grant the relevant license to Hutchison Baiyunshan. In order to satisfy the condition and for HWEL to continue to grant the license, HCMH entered into a brand license royalty agreement with HWEL on June 15, 2021 (the "**HBYS Brand License Royalty Agreement**") pursuant to which HCMH will pay to HWEL an annual fee of HK$12 million (the "**Royalty**") in consideration of the grant of the royalty-free right to use the HWL Trade Marks by HWEL to Hutchison Baiyunshan and HBYS JV Companies pursuant to the HWL Brand License. The HBYS Brand License Royalty Agreement is conditional on the completion of the HBYS Disposal. The aggregate Royalty payable under the HBYS Brand License Royalty Agreement shall not be more than HK$120 million. As the procurement of the continued grant of the HWL Brand Licence was part and parcel of the HBYS Disposal, the Group had taken into consideration the amount payable under the HBYS Brand License Royalty Agreement when the Group evaluated the commercial aspects of the HBYS Disposal.

The HBYS Brand License Royalty Agreement has a term commencing on the date of completion of the HBYS Disposal and continuing up to and including December 31, 2023, unless terminated earlier. Subject to compliance with the requirements of the Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the agreement is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules).

The HBYS Brand License Royalty Agreement will terminate upon (i) the change of name of Hutchison Baiyunshan and HBYS JV Companies to names that do not include the "Hutchison Whampoa" names, (ii) the earlier of (a) the termination of the HWL Brand License and (b) the complete cessation of the use of the HWL Trade Marks by Hutchison Baiyunshan and the HBYS JV Companies and (iii) the termination of the SPA. Under the terms of the SPA, the Purchaser has to use commercially reasonable efforts to procure that, as soon as reasonably practicable the names of the Hutchison Baiyunshan entities are changed, and such entities cease to use the HWL Trade Marks. The Company will monitor compliance by the Purchaser of the foregoing undertaking and will use its reasonable efforts to work with the Purchaser with a view to ensuring the relevant entities cease to use the HWL Trade Marks within a reasonable period of time. The HWL Brand License will also terminate upon, among other reasons, the Purchaser holding less than 29.9% of Hutchison Baiyunshan.

(c) Caps on Future Transaction Amounts

The Royalty payable by HCMH under the HBYS Brand License Royalty Agreement for each year ending December 31 for the duration of the HBYS Brand License Royalty Agreement will be HK$12 million. The aggregate Royalty payable under the HBYS Brand License Royalty Agreement (including any renewal thereof) shall not be more than HK$120 million, even if the HBYS Brand License Royalty Agreement is not terminated and continues to be renewed after 10 years.

The Royalty was determined by reference to (i) the historical sales volume of Hutchison Baiyunshan products and expected future growth, (ii) the portion of Hutchison Baiyunshan jointly branded products which uses the HWL Trade Marks and Baiyunshan trade marks, (iii) the expected future trend in and period of such use of the HWL Trade Marks in jointly branded products, taking into consideration the expected progressive cessation of Hutchison Baiyunshan's use of the HWL Trade Marks following the completion of the HBYS Disposal, (iv) market royalty rates for the use of a brand in a jointly branded product (considering that Hutchison Baiyunshan uses both the HWL Trade Marks and Baiyunshan trade marks with equal prominence and value in the jointly branded products subject to the Royalty), and (v) arm's length negotiation between the Group and HWEL.

(d) Listing Rule Implications

As HWEL is a subsidiary of CK Hutchison, it is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company and the license granted under the HBYS Brand License Royalty Agreement, upon the Listing, will constitute a continuing connected transaction of the Company. As the highest applicable percentage ratio in respect of the Royalty will, on an annual basis, be more than 0.1% but less than 5%, and the transaction is on normal commercial terms, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. If the HBYS Brand License Royalty Agreement is not terminated by the expiry of a period of three years from the date of the HBYS Brand Licence Royalty Agreement, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules at such time.

C. Waiver Applications For Non-Exempt Continuing Connected Transactions

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, announcement and/or independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions described in this section.

As the Hain Products Supply Agreement is for an unspecified term, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 14A.52 of the Listing Rules for the period of the agreement to be fixed.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

D. Confirmation from the Directors and the Joint Sponsors

The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by the Company relating to the non-exempt continuing connected transactions described in this section, and have obtained confirmations from the Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BOARD OF DIRECTORS

The Board of Directors consists of 10 Directors, comprising 4 Executive Directors, 2 Non-executive Directors and 4 Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position in the Group	Date of Appointment as a Director	Date of Joining the Group	Roles and Responsibilities
TO Chi Keung, Simon (杜志強)	69	Executive Director and Chairman	December 2000	April 2000	Responsible for the formulation of the strategic direction and the day-to-day management of the Group
Christian Lawrence HOGG	56	Executive Director and Chief Executive Officer	April 2006	June 2000	Responsible for the formulation of the strategic direction and the day-to-day management of the Group
CHENG Chig Fung, Johnny (鄭澤鋒)	54	Executive Director and Chief Financial Officer	February 2011	August 2008	Responsible for the formulation of the strategic direction and the day-to-day management of the Group
Wei-guo SU (蘇慰國)	64	Executive Director and Chief Scientific Officer	March 2017	March 2005	Responsible for the formulation of the strategic direction and the day-to-day management of the Group

Name	Age	Position in the Group	Date of Appointment as a Director	Date of Joining the Group	Roles and Responsibilities
Dan ELDAR (formerly Perlmutter)	68	Non-executive Director	August 2016	August 2016	Responsible for the high level oversight of the management and operations of the Group
Edith SHIH (施熙德)	69	Non-executive Director and Company Secretary	April 2006	April 2000	Responsible for the high level oversight of the management, operations and compliance of the Group
Paul Rutherford CARTER	60	Senior Independent Non-executive Director	February 2017	February 2017	Responsible for addressing conflicts and providing strategic advice and guidance on the business and operations of the Group
Karen Jean FERRANTE	63	Independent Non-executive Director	February 2017	February 2017	Responsible for addressing conflicts and providing strategic advice and guidance on the business and operations of the Group

Name	Age	Position in the Group	Date of Appointment as a Director	Date of Joining the Group	Roles and Responsibilities
Graeme Allan JACK	70	Independent Non-executive Director	March 2017	March 2017	Responsible for addressing conflicts and providing strategic advice and guidance on the business and operations of the Group
MOK Shu Kam Tony (莫樹錦)	61	Independent Non-executive Director	October 2017	October 2017	Responsible for addressing conflicts and providing strategic advice and guidance on the business and operations of the Group

Executive Directors

Mr. TO Chi Keung, Simon (杜志強), aged 69, has been a Director since December 2000 and an Executive Director and the chairman of the Board since April 2006. He is also a member of our nomination committee, remuneration committee and technical committee. He is the managing director of Hutchison Whampoa (China) Limited and has been with Hutchison Whampoa (China) Limited for over 40 years, building its business from a small trading company to a multi-billion dollar investment group. He has negotiated major transactions with multinational corporations such as Procter & Gamble, or P&G, Lockheed, Pirelli, Beiersdorf, United Airlines, and British Airways. He is currently the chairman of the board of directors of Gama Aviation Plc, which is admitted to trading on AIM (stock code: GMAA) and formerly served as independent non-executive director on the boards of China Southern Airlines Company Limited and Air China Limited. Mr. To's career in China spans more than 45 years. He is the original founder of the China healthcare business of Hutchison Whampoa Limited (currently a subsidiary of CK Hutchison) and has been instrumental in its acquisitions made to date. He received a Bachelor's degree in Mechanical Engineering from Imperial College, London in August 1973 and an MBA from Stanford University's Graduate School of Business in June 1975.

Mr. Christian Lawrence HOGG, aged 56, has been an Executive Director and our chief executive officer since April 2006. He is also a member of our technical committee. He joined the business in June 2000, as its first employee, and has since led all aspects of the creation, implementation and management of our strategy, business and listings. This includes the establishment of our Oncology/Immunology operations which now have an organization of about 1,300 scientific and commercial personnel involved in the launch of its first two oncology drugs, Elunate and Sulanda in China, as well as the management of global clinical development activities on our portfolio of ten in-house discovered novel oncology drug candidates. Furthermore, Mr. Hogg oversaw the acquisition and operational integration of assets that led to the formation of our Other Ventures operations, which manufacture, market and distribute prescription drugs and consumer health products, covering an extensive network of hospitals across China. Prior to joining us, he spent ten years with P&G, starting in the United States in Finance and then Brand Management in the Laundry and Cleaning Products Division. He then moved to China to manage P&G's detergent business, followed by a move to Brussels to run P&G's global bleach business. Mr. Hogg received a Bachelor's degree in Civil Engineering from the University of Edinburgh in July 1987 and an MBA from the University of Tennessee in May 1989.

Mr. CHENG Chig Fung, Johnny (鄭澤鋒), aged 54, has been an Executive Director since February 2011 and our chief financial officer since August 2008. Prior to joining our Company, Mr. Cheng was vice president, finance of Bristol Myers Squibb in China and was a director of Sino-American Shanghai Squibb Pharmaceuticals Ltd. and Bristol-Myers Squibb (China) Investment Co. Ltd. in Shanghai between September 2006 and July 2008. Mr. Cheng started his career as an auditor with Price Waterhouse (currently PricewaterhouseCoopers) in Australia in January 1989. In February 1995, he joined KPMG in Beijing before spending eight years with Nestlé China where he was in charge of a number of finance and control functions in various operations. Mr. Cheng received a Bachelor of Economics from the University of Adelaide in May 1988 and has been a member of the Chartered Accountants Australia and New Zealand since February 1992.

Dr. Wei-guo SU (蘇慰國), aged 64, has been an Executive Director since March 2017 and has been our executive vice president and chief scientific officer since April 2012. He is also a member of our technical committee. Dr. Su has headed all drug discovery and research since he joined our Company, including master-minding our scientific strategy, being a key leader of our Oncology/Immunology operations, and responsible for the discovery of each and every small molecule drug candidate in our pipeline. Prior to joining the Group in March 2005, Dr. Su worked with the U.S. research and development department of Pfizer, Inc.. In March 2017, he was granted the prestigious award by the China Pharmaceutical Innovation and Research Development Association (PhIRDA) as one of the Most Influential Drug R&D Leaders in China. Dr. Su received a Bachelor of Science degree in Chemistry from Fudan University in Shanghai in January 1982 and completed a Ph.D. and Post-Doctoral Fellowship in Chemistry at Harvard University in June 1988 under the guidance of Nobel Laureate Professor E. J. Corey.

Non-executive Directors

Dr. Dan ELDAR (formerly Perlmutter), aged 68, has been a Non-executive Director since August 2016. He has more than 30 years of experience as a senior executive, leading global operations in telecommunications, water, biotech and healthcare. He is an executive director of Hutchison Water Israel Ltd (an associated company of CK Hutchison) which focuses on large scale projects including desalination, wastewater treatment and water reuse. He was formerly an independent non-executive director of Leumi Card Ltd., a subsidiary of Bank Leumi Le-Israel B.M., one of Israel's leading credit card companies. Dr. Eldar received a Doctor of Philosophy degree in Government from Harvard University in June 1983, Master of Arts degree in Government from Harvard University in June 1982, Master of Arts degree in Political Science and Public Administration from the Hebrew University of Jerusalem in June 1980 and a Bachelor of Arts degree in Political Science from the Hebrew University of Jerusalem in May 1977.

Ms. Edith SHIH (施熙德), aged 69, has been a Non-executive Director since April 2006, the company secretary since December 2000 and the company secretary of Group companies since April 2000. She is also executive director and company secretary of CK Hutchison. She has been with the Cheung Kong (Holdings) Limited group, or CKH, since 1989 and with Hutchison Whampoa Limited, or HWL, from 1991 to 2015. Both CKH and HWL became wholly-owned subsidiaries of CK Hutchison in 2015. She has acted in various capacities within the HWL group, including head group general counsel and company secretary of HWL as well as director and company secretary of HWL subsidiaries and associated companies. Ms. Shih is in addition a non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited which is listed on the Hong Kong Stock Exchange (stock code: 00215), Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust which is listed on the Singapore Exchange (stock code: NS8U) and a member of board of commissioners of PT Duta Intidaya Tbk, which is listed on the Jakarta Stock Exchange (stock code: DAYA). The aforementioned companies are subsidiaries of CK Hutchison of which Ms. Shih has oversight. She has over 35 years of experience in legal, regulatory, corporate finance, compliance and corporate governance fields. She is the immediate past international president and current member of the executive committee of The Chartered Governance Institute, or CGI, as well as a past president and current chairperson or member of various committees and panels of The Hong Kong Institute of Chartered Secretaries, or HKICS. She is also chairman of the process review panel for the Financial Reporting Council, a panel member of the Securities and Futures Appeals Tribunal and the immediate past chairman of the governance committee of the Hong Kong Institute of Certified Public Accountants. Ms. Shih is a solicitor qualified in England and Wales and Hong Kong in April 1984 and Victoria, Australia in September 1984. She is a fellow of The Hong Kong Institute of Directors and also a fellow of both the CGI and HKICS, holding chartered secretary and chartered governance professional dual designations. Ms. Shih holds a bachelor of science degree in education in May 1973 and a master of arts degree in August 1975 from the University of the Philippines as well as a master of arts degree in May 1977 and a master of education degree in October 1978 from Columbia University, New York.

Independent Non-executive Directors

Mr. Paul Rutherford CARTER, aged 60, has been a senior Independent Non-executive Director since February 2017. He is also the chairman of our remuneration committee and a member of our audit committee and technical committee. He has more than 26 years of experience in the pharmaceutical industry. From 2006 to 2016, Mr. Carter served in various senior executive roles at Gilead Sciences, Inc., or Gilead, a research-based biopharmaceutical company, with the last position as executive vice president, commercial operations. In this role, Mr. Carter headed the worldwide commercial organization responsible for the launch and commercialization of all of Gilead's products. He also worked as a senior executive at GlaxoSmithKline Plc. He is currently a director of Mallinckrodt plc, which is listed on the New York Stock Exchange (stock code: MNKKQ), and Immatics N.V. which is listed on the Nasdaq Global Market (stock code: IMTX). He is the chairman of Evox Therapeutics and a retained advisor to several firms active in the life sciences sector. He was formerly a director of Alder Biopharmaceuticals, Inc., which was listed on Nasdaq Global Market (stock code: ALDR). Mr. Carter received a degree in Business Studies from the Ealing School of Business and Management (now merged into University of West London) in July 1983 and has been a Fellow of the Chartered Institute of Management Accountants in the United Kingdom since November 1991.

Dr. Karen Jean FERRANTE, aged 63, has been an Independent Non-executive Director since February 2017. She is also the chairman of our technical committee and a member of our audit committee. She has more than 26 years of experience in the pharmaceutical industry. She was the former chief medical officer and head of research and development of Tokai Pharmaceuticals, Inc., a biopharmaceutical company focused on developing and commercializing innovative therapies for prostate cancer and other hormonally driven diseases. Dr. Ferrante previously held senior positions at Millennium Pharmaceuticals, Inc. and its parent company, Takeda Pharmaceutical Company Limited, including chief medical officer and most recently as oncology therapeutic area and Cambridge USA site head. She had also held positions of increasing responsibility at Pfizer Inc., with the last position as vice president, oncology development. Dr. Ferrante is currently a member of the board of directors of MacroGenics, Inc., which is listed on Nasdaq (stock code: MGNX) and Cogent Biosciences, Inc. (formerly Unum Therapeutics Inc.), which is listed on Nasdaq (stock code: COGT). Dr. Ferrante was previously a director of Baxalta Incorporated until it was acquired by Shire plc in 2016 and a director of Progenics Pharmaceuticals, Inc., which was listed on Nasdaq (stock code: PGNX), until it was acquired by Lantheus Holdings, Inc. in 2020. She is an author of a number of papers in the field of oncology, an active participant in academic and professional associations and symposia and holder of several patents. Dr. Ferrante received a Bachelor of Science degree in Chemistry and Biology from Providence College in May 1980 and a Doctor of Medicine from Georgetown University in May 1988.

Mr. Graeme Allan JACK, aged 70, has been an Independent Non-executive Director since March 2017. He is also chairman of our audit committee and member of our nomination committee and remuneration committee. He has more than 40 years of experience in finance and audit. He retired as partner of PricewaterhouseCoopers in 2006 after a distinguished career with the firm for over 33 years. He is currently an independent non-executive director of The Greenbrier Companies, Inc. (an international supplier of equipment and services to the freight rail transportation markets which is listed on the New York Stock Exchange (stock code: GBX)), Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust (a developer and operator of deep water container terminals which is listed on the Singapore Stock Exchange (stock code: NS8U)) and of COSCO SHIPPING Development Co., Ltd. (formerly known as "China Shipping Container Lines Company Limited", an integrated financial services platform principally engaged in vessel and container leasing and listed on the Shanghai Stock Exchange (stock code: 601866) and Hong Kong Stock Exchange (stock code: 2866)). He received a Bachelor of Commerce degree from University of New South Wales, Australia in May 1973 and has been a Fellow of the Hong Kong Institute of Certified Public Accountants since March 1987 and an Associate of Chartered Accountants Australia and New Zealand since September 1976.

Professor MOK Shu Kam Tony (莫樹錦), aged 61, has been an Independent Non-executive Director since October 2017. He is the chairman of our nomination committee and a member of our technical committee. Professor Mok has more than 31 years of experience in clinical oncology with his main research interest focusing on biomarker and molecular targeted therapy in lung cancer. He is currently Li Shu Fan Medical Foundation named professor and chairman of department of clinical oncology at The Chinese University of Hong Kong. Professor Mok has contributed to over 250 articles in international peer reviewed journals, as well as multiple editorials and textbooks. In October 2018, Professor Mok was the first Chinese to be bestowed with the European Society for Medical Oncology (ESMO) Lifetime Achievement Award, one of the most prestigious international honors and recognitions given to cancer researchers, for his contribution to and leadership in lung cancer research worldwide. He is a non-executive director of AstraZeneca PLC, which is listed on the main market of the London Stock Exchange (stock code: AZN), a board director of the American Society of Clinical Oncology ("ASCO") and a steering committee member of the Chinese Society of Clinical Oncology ("CSCO"). He is also past president of the International Association for the Study of Lung Cancer, and co-founder of Sanomics Limited and Aurora Tele-Oncology Limited. Professor Mok is also closely affiliated with the oncology community in China and has been awarded an Honorary Professorship at Guangdong Province People's Hospital, Guest Professorship at Peking Union Medical College Hospital and Visiting Professorship at Shanghai Jiao Tong University. He received his Bachelor of Medical Science degree in June 1982 and a Doctor of Medicine from University of Alberta, Canada. He has also been a fellow of the Royal College of Physicians and Surgeons of Canada since August 1988, Hong Kong College of Physicians since October 1996, Hong Kong Academy of Medicine since January 1997, Royal College of Physicians of Edinburgh since December 2014 and ASCO since November 1996.

Save as disclosed in "– *Board of Directors*" above and "*Appendix VI – Statutory and General Information*," each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date, and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE GROUP

The Chief Executive Officer, Chief Financial Officer, Chief Scientific Officer and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Executive Officer, Chief Financial Officer, Chief Scientific Officer is set out in "– *Board of Directors"* above.

In addition to the Chief Executive Officer, Chief Financial Officer, Chief Scientific Officer, the members of the senior management of the Group include the following:

Name	Age	Position in the Group	Date of Appointment as Senior Management	Date of Joining the Group	Roles and Responsibilities
May WANG (also known as Wang Qingmei)	57	Senior Vice President	April 2012	October 2010	Responsible for the Group's business development and strategic alliances
Zhenping WU (吳振平)	62	Senior Vice President	January 2012	April 2008	Responsible for the Group's pharmaceutical sciences matters
Mark Kin Hung LEE (李健鴻)	43	Senior Vice President	January 2015	August 2009	Responsible for the Group's corporate finance and development matters

Dr. May WANG (also known as Wang Qingmei), aged 57, is our senior vice president of business development & strategic alliances. Prior to joining our Company in October 2010, Dr. Wang spent 16 years with Eli Lilly where she was a director of Eli Lilly's Lilly Research Laboratories and responsible for establishing and managing research collaborations in China and across Asia. She holds numerous patents, has published more than 50 peer-reviewed articles and has given dozens of seminars and plenary lectures. Dr. Wang received a Ph.D. in biochemistry from Purdue University in July 1991.

Dr. Zhenping WU (吳振平), aged 62, joined our Company in April 2008 and has been our senior vice president of pharmaceutical sciences since January 2012. Dr. Wu has over 26 years of experience in drug discovery and development. His past positions include senior director of pharmaceutical sciences at Phenomix Corporation, a U.S.-based biotechnology company, director of pharmaceutical development at Pfizer Global Research & Development in California (formerly Agouron Pharmaceuticals) and a group leader at Roche at its Palo Alto site. He is a past chairman and president of the board of the Sino-American Biotechnology and Pharmaceutical Association. Dr. Wu received a Ph.D. from the University of Hong Kong in November 1988 and a master in business administration from the University of California at Irvine in September 2003.

Mr. Mark Kin Hung LEE (李健鴻), aged 43, is our senior vice president of corporate finance and development. Prior to joining our Company in August 2009, he worked in healthcare investment banking in the United States and Europe. Based in the New York and London offices of Credit Suisse, Mr. Lee was involved in the execution and origination of mergers, acquisitions, public and private financings and corporate strategy for life science companies such as AstraZeneca, Bristol-Myers Squibb and Genzyme, as well as other medical product and service companies. Mr. Lee received his bachelor's degree in biochemical engineering with first class honors from University College London in August 1998, where he was awarded a Dean's Commendation. He also received a master of business administration from the Massachusetts Institute of Technology's Sloan School of Management in June 2004.

The business address of the members of the senior management is Level 18, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.

COMPANY SECRETARY

Ms. Edith SHIH, aged 69, has been the company secretary since 18 December 2000. Certain information relating to Ms. Shih is set out in "– *Board of Directors"* above.

BOARD COMMITTEES

The Board has established the audit committee, the nomination committee, the remuneration committee and the technical committee.

Audit Committee

The Audit Committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The purpose of the Audit Committee are to oversee our accounting and financial reporting process and the audit of our financial statements. The Audit Committee's duties include keeping under review the effectiveness of the Company's financial reporting and internal control framework and policies and procedures for the identification, assessment and reporting of financial and non-financial risks and the management of those risks by the Company in accordance with the Sarbanes-Oxley Act and other applicable laws, rules and regulations and the applicable requirements of any stock exchange.

The Audit Committee consists of three Directors. The members of the Audit Committee are:

Graeme Allan JACK (*Chairman*)
Paul Rutherford CARTER
Karen Jean FERRANTE

Nomination Committee

The Nomination Committee of the Board is set up as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size, diversity profile and skills matrix of the Board, and the needs of the Board and make recommendation on any proposed changes to the Board to complement the Board to achieve the Group corporate strategy as well as promote shareholder value, to identify suitable director and senior management candidates or make recommendation to the Board on the selection of individuals to be nominated as directors or senior management, assess the independence of the Independent Non-executive Directors, make recommendation to the Board on the appointment and re-appointment of Directors and succession planning for Directors and review the Director Nomination Policy and Board Diversity Policy of the Company periodically and make recommendation on any proposed revisions to the Board.

The Nomination Committee consists of three Directors. The members of the nomination committee are:

MOK Shu Kam Tony (*Chairman*)
Graeme Allan JACK
TO Chi Keung, Simon

Remuneration Committee

The Remuneration Committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to determine and agree with the Board the framework or broad policy for the remuneration of executive management, review the design of all employees' share schemes and other incentive plans for approval by the Board and Shareholders, (within the terms of the agreed policy and in consultation with the chairman of the Board and/or chief executive, as appropriate) determine the total individual remuneration package of each Executive Director and other members of the executive management, review and note annually the remuneration trends across the Company and oversee any major changes in employee benefits structures throughout the Company.

The Remuneration Committee consists of three Directors. The members of the remuneration committee are:

Paul Rutherford CARTER (*Chairman*)
Graeme Allan JACK
TO Chi Keung, Simon

Technical Committee

The Technical Committee's responsibility is to consider, from time to time, matters relating to the technical aspects of the research and development activities of our Oncology/Immunology operations.

The Technical Committee consists of six directors. The members of the Technical Committee are:

Karen Jean FERRANTE (*Chairman*)
Paul Rutherford CARTER
Christian Lawrence HOGG
MOK Shu Kam Tony
Wei-guo SU
TO Chi Keung, Simon

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For each of 2018, 2019 and 2020, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes), bonuses and share-based compensation borne by the Group to the Directors were approximately US$5,690,295, US$5,881,302 and US$7,370,869, respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for 2021 are estimated to be approximately US$8,053,890.

For each of 2018, 2019 and 2020, three of the five highest paid individuals were Directors. The aggregate amount of the salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes), bonuses and share-based compensation borne by the Group to the two remaining highest paid individuals were approximately US$2,411,728, US$2,143,273 and US$2,602,376, respectively.

During the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Directors is set out in "*Appendix VI – Statutory and General Information*."

BOARD DIVERSITY

The Board has adopted a policy which sets out the approach to achieving diversity for the Board.

The Company recognizes the benefits of a Board that possesses a balance of skills, experience, expertise, independence and knowledge and diversity of perspectives appropriate to the requirements of the businesses of the Company.

The Company maintains that Board appointment should be based on merit that complements and expands the skills, experience, expertise, independence and knowledge of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The Nomination Committee of the Company is responsible for reviewing the structure, size and composition of the Board, selecting the individuals to be nominated as Directors, reviewing succession plan of Directors and making recommendation on these matters to the Board for approval to ensure that it has a balanced composition of skills, experience, expertise, independence and knowledge appropriate to the requirements of the businesses of the Company, with due regard to the benefits of diversity on the Board.

The Nomination Committee reviews and monitors from time to time the implementation of its board diversity policy to ensure its effectiveness, makes recommendation on any revision as may be required to the Board for approval at an appropriate time set measurable objectives for achieving Board diversity.

COMPLIANCE ADVISOR

The Company has appointed Haitong International Capital Limited as its compliance advisor pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance advisor on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance advisor will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

CORNERSTONE INVESTMENTS

The Company has entered into cornerstone investment agreements with the cornerstone investors set out below (together, the "**Cornerstone Investors**"). The Cornerstone Investors have agreed to subscribe for, and the Company has agreed to issue, allot and place to the Cornerstone Investors, at the Offer Price for such number of Offer Shares (rounded down to the nearest board lot of 500 Shares) that may be subscribed for in an aggregate amount of approximately HK$2,535 million under and as part of the International Offering (the "**Cornerstone Investments**"). The Offer Shares will be placed to the Cornerstone Investors in reliance on Rule 901 of Regulation S under the U.S. Securities Act or pursuant to another exemption from the registration requirements of the U.S. Securities Act. The Company expects to enter into the Exempt Offering Underwriting Agreement relating to the Exempt Offering on the Price Determination Date.

Assuming an Offer Price of HK$45.00, being the Maximum Offer Price, the Cornerstone Investors have agreed to subscribe for an aggregate of 56,333,000 Offer Shares, representing (a) approximately 54.17% (assuming the Over-allotment Option is not exercised) and 47.10% (assuming the Over-allotment Option is exercised in full) of the total number of Offer Shares and (b) approximately 6.64% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Overallotment Option is not exercised, or 6.52% of the total number of Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is exercised in full, in each case without taking into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant.

The Offer Shares to be delivered to each of the Cornerstone Investors pursuant to the relevant cornerstone investment agreement will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange and will count towards the public float of the Shares.

Certain Cornerstone Investors, namely Canada Pension Plan Investment Board and General Atlantic, are existing Shareholders (collectively, the "**Participating Existing Shareholders**"). See "*Details of the Cornerstone Investors*" below for further details. We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares to each of the Participating Existing Shareholders. See "*Waivers and Exemptions – Waiver in relation to restrictions on existing Shareholders to subscribe for Shares*" for further details.

To the best knowledge of the Company, (i) save as disclosed in "*Waivers and Exemptions – Waiver in relation to restrictions on existing Shareholders to subscribe for Shares*," each Cornerstone Investor is an independent third party, is not a connected person of the Company and is not an existing Shareholder; (ii) none of the Cornerstone Investors is accustomed to taking instructions from the Company or the directors, the chief executives or the substantial shareholders of the Company or of any of its subsidiaries or a close associate of any of them in relation to the acquisition, disposal, voting or other disposition of securities of the issuer; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by the Company or the directors, the chief executives or the substantial shareholders of the Company or of any of its subsidiaries or a close associate of any of them. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company, and none of the Cornerstone Investors will have any representation on the Board. There are no side arrangements between the Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Investments other than the guaranteed allocation of the relevant Offer Shares at the Offer Price, save with respect to certain existing rights of CPP Investments and General Atlantic under the relevant subscription agreements for the private placements conducted in 2020, further details of which are set out in "*History and Corporate Structure – Private Placements.*"

The Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the life sciences and healthcare sectors, the Cornerstone Investments will help raise the profile of the Company and signify the confidence of such investors in the Group's business and prospects.

The Offer Shares to be delivered to the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering, as further described in "*Structure of the Global Offering*". Details of the allocations of the Offer Shares to the Cornerstone Investors will be disclosed in the allotment results announcement of the Company to be published on or around June 29, 2021.

CPP Investments, HBM Healthcare Investments (Cayman) Ltd. and CICC Grandeur (Xiamen) Equity Investment Fund Partnership (L.P.) have agreed that the Joint Global Coordinators may delay the delivery of all or any part of the Offer Shares they have subscribed for to a date later than the Listing Date. The Joint Global Coordinators do not plan to delay the delivery of the Offer Shares to the Cornerstone Investors. There is no delayed delivery arrangement for the other Cornerstone Investors. Each Cornerstone Investor has agreed that it shall pay for the relevant Offer Shares on or before the Listing Date. There is no arrangement for deferred settlement of payment with any Cornerstone Investor.

Set out below is a breakdown of the anticipated number of Offer Shares to be subscribed by each Cornerstone Investor and the respective investment amounts:

			Based on the Offer Price of HK$45.00 (being the Maximum Offer Price)			
			Approximate % of total number of Offer Shares		Approximate % of total number of Shares in issue[2]	
Cornerstone Investor (as defined below)	Investment Amount	Number of Offer Shares to be subscribed[1]	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
CA Fern Parent	US$210 million (HK$1,638 million)[3]	36,400,000	35.00%	30.43%	4.29%	4.21%
CPP Investments	US$50 million (HK$390 million)[3]	8,666,500	8.33%	7.25%	1.02%	1.00%
General Atlantic	US$30 million (HK$234 million)[3]	5,200,000	5.00%	4.35%	0.61%	0.60%
HBM Healthcare Investments (Cayman) Ltd.	US$20 million (HK$156 million)[3]	3,466,500	3.33%	2.90%	0.41%	0.40%

			Based on the Offer Price of HK$45.00 (being the Maximum Offer Price)			
			Approximate % of total number of Offer Shares		Approximate % of total number of Shares in issue[2]	
Cornerstone Investor (as defined below)	**Investment Amount**	**Number of Offer Shares to be subscribed[1]**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
CICC Grandeur (Xiamen) Equity Investment Fund Partnership (L.P.) (investing through Rongtong Fund Management Co., Ltd, a qualified domestic institutional investor)	US$15 million (HK$117 million)[3]	2,600,000	2.50%	2.17%	0.31%	0.30%
Total	US$325 million (HK$2,535 million)[3]	56,333,000	54.17%	47.10%	6.64%	6.52%

Note:

(1) The number of Shares to be subscribed by each Cornerstone Investor has been rounded down to the nearest whole board lot of 500 Shares.

(2) Based on the number of Shares immediately after completion of the Global Offering without taking into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant.

(3) The Hong Kong dollar equivalent is for reference only and is calculated based on an exchange rate of US$1.00: HK$7.80. The actual investment amount in Hong Kong dollars will be calculated with reference to the applicable exchange rate set out in the relevant cornerstone investment agreement.

DETAILS OF THE CORNERSTONE INVESTORS

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

Information about CA Fern Parent

CA Fern Parent, a Mauritius private company, is wholly owned by funds which are, by and through their control affiliates (including their respective general partners), ultimately controlled (directly or indirectly) by The Carlyle Group Inc. ("**Carlyle**"), a public company listed on Nasdaq (ticker symbol: CG). Carlyle is one of the world's largest and most diversified global investment firms, with approximately US$260 billion of assets under management as of 31 March 2021 across three business segments: Global Private Equity, Global Credit and Investment Solutions. Carlyle's purpose is to invest wisely and create value on behalf of their investors, portfolio companies and the communities in which they live and invest. Carlyle employs over 1,800 professionals in 29 offices across five continents.

Information about CPP Investments

CPP Investments is a professional investment management organization that manages the Fund in the best interest of the more than 20 million contributors and beneficiaries of the Canada Pension Plan. In order to build diversified portfolios of assets, investments are made around the world in public equities, private equities, real estate, infrastructure and fixed income. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney, CPP Investments makes investment decisions independent of Canadian governments. At March 31, 2021, the Fund totalled C$497.2 billion.

CPP Investments is an existing Shareholder. For further details, please see "*History and Corporate Structure – Private Placements – CPP Investments*."

Information about General Atlantic

General Atlantic Singapore HCM Pte. Ltd. is a private company limited by shares, incorporated under laws of Singapore in 2019. It is wholly-owned by General Atlantic Singapore Fund Pte. Ltd. ("**GASF**"). GASF, which is incorporated in Singapore, is a private equity fund based in Singapore that makes and holds investments in growth companies in Asia, including the PRC, Hong Kong, India, Singapore, Indonesia and other regions of Asia. It is part of the General Atlantic private equity group, a leading global growth equity firm providing capital and strategic support for growth companies. The manager of GASF is General Atlantic Singapore Fund Management Pte. Ltd. ("**GASFM**"). GASFM is wholly-owned by General Atlantic Service Company, L.P., an investment advisor registered with the United States Securities and Exchange Commission.

General Atlantic is an existing Shareholder. For further details, please see "*History and Corporate Structure – Private Placements – General Atlantic*."

Information about HBM Healthcare Investments (Cayman) Ltd.

HBM Healthcare Investments (Cayman) Ltd. ("**HBM Healthcare**") is an investment holding company incorporated in the Cayman Islands, and is a wholly-owned subsidiary of HBM Healthcare Investments AG. HBM Healthcare Investments AG is a company incorporated in Switzerland and listed on SIX Swiss Exchange (symbol: HBMN). HBM Healthcare Investments AG is an investment company holding a well-balanced globally diversified portfolio of investments in private and public healthcare companies.

No approval from the shareholders of HBM Healthcare Investments AG or the relevant stock exchange is required for HBM Healthcare's investment in the Company as described in this section.

Information about CICC Grandeur Fund

CICC Grandeur (Xiamen) Equity Investment Fund Partnership (L.P.) ("**CICC Grandeur Fund**") was incorporated in 2017 and registered as a private investment fund under the regulations of asset management association of China. CICC Capital Management Co., Ltd. ("**CICC Capital**"), a wholly-owned subsidiary and the sole private equity investment arm of China International Capital Corporation Limited, serves as its fund manager. CICC Grandeur Fund invests in leading China-based companies across a wide range of sectors, including, but not limited to consumer, information technology, healthcare and advanced manufacturing.

CICC Grandeur Fund is a connected client (as defined under Appendix 6 to the Listing Rules) of CICC, holding securities on a discretionary basis on behalf of independent third parties.

For the purpose of this cornerstone investment, CICC Grandeur Fund has engaged Rongtong Fund Management Co., Ltd, which is a qualified domestic institutional investor under relevant PRC laws, acting as the discretionary manager of RONGTONG RONGHAI NO. 39 QDII SMA whose beneficial owner is CICC Grandeur Fund, to subscribe for, hold and dispose of such Offer Shares for the benefit of CICC Grandeur Fund.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit us to allocate the Offer Shares to CICC Grandeur Fund. See "*Waivers and Exemptions – Waiver in relation to Allocation of Offer Shares to a Connected Client*" for details.

CONDITIONS PRECEDENT

The obligation of each Cornerstone Investor to subscribe for, and the obligation of the Company to issue and deliver the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

(a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto and none of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company;

(c) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the relevant cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;

(d) the Stock Exchange granting the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

(e) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor in the relevant cornerstone investment agreement are true and accurate in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company, the Joint Sponsors and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed by it pursuant to the relevant cornerstone investment agreement and any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

As set out in the relevant cornerstone investment agreement, each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances of (i) a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor, or (ii) as security for external debt financing, provided that the Cornerstone Investor procures the lender to be subject to the same restrictions on disposal as provided in the cornerstone investment agreement.

FUTURE PLANS

See "*Business – Our Strategies*" for a detailed description of our future plans and strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering payable by the Company and based on an indicative Maximum Offer Price of HK$45.00, will be approximately HK$4,441 million assuming the Over-allotment Option is not exercised, or HK$5,118 million assuming the Over-allotment Option is exercised in full.

The Company intends to use the net proceeds for the following purposes:

– Approximately HK$2,220 million (or 50% of the net proceeds) to advance our late-stage clinical programs for savolitinib, surufatinib, fruquintinib, HMPL-689 and HMPL-523 through registration trials and potential NDA submissions, including our share of the cost of multiple ongoing and planned registration and registration-intent studies of savolitinib monotherapy and in combination with Tagrisso in China and globally; the planned pivotal studies of surufatinib and fruquintinib in combination with PD-1 antibodies in select indications; the global registration study of fruquintinib, FRESCO-2, in the United States, Europe and Japan as third-line treatment of mCRC, and the Phase III FRUTIGA study in China of fruquintinib in combination with Taxol in second-line gastric cancer; and the planned and/or ongoing registration and registration-intent studies of HMPL-689 and HMPL-523 in China, the United States and Europe in select indolent NHL sub-categories and ITP. These include:

  • Approximately HK$333 million (or 7.5% of the net proceeds) to advance our late-stage clinical programs for savolitinib;

  • Approximately HK$666 million (or 15% of the net proceeds) to advance our late-stage clinical programs for surufatinib;

  • Approximately HK$666 million (or 15% of the net proceeds) to advance our late-stage clinical programs for fruquintinib;

  • Approximately HK$222 million (or 5% of the net proceeds) to advance our late-stage clinical programs for HMPL-689; and

  • Approximately HK$333 million (or 7.5% of the net proceeds) to advance our late-stage clinical programs for HMPL-523;

– Approximately HK$445 million (or 10% of the net proceeds) will be used to support further proof-of-concept studies and fund the continued expansion of our product portfolio in cancer and immunological diseases through internal research, including the development cost of early-clinical and preclinical-stage pipeline drug candidates. These include:

  • Approximately HK$223 million (or 5% of the net proceeds) to support HMPL-306 proof-of-concept studies;

  • Approximately HK$111 million (or 2.5% of the net proceeds) to support HMPL-295 proof-of-concept studies; and

  • Approximately HK$111 million (or 2.5% of the net proceeds) to support other proof-of-concept studies;

– Approximately HK$888 million (or 20% of the net proceeds) to further strengthen our integrated capabilities across commercialization, clinical and regulatory and manufacturing. These include:

  • Approximately HK$178 million (or 4% of the net proceeds) to further expand our oncology-focused sales and marketing teams in China and the United States. We expect to significantly grow such teams from about 520 persons to 900 persons over the next few years to capture the attractive market opportunity and address unmet medical needs;

  • Approximately HK$178 million (or 4% of the net proceeds) to expand our clinical and regulatory teams in China, the United States and Europe; and

  • Approximately HK$532 million (or 12% of our net proceeds) to construct our large-scale manufacturing plant for innovative drugs in Shanghai with a production capacity estimated to be five times that of our Suzhou facility, as well as expanding the production team in our existing Suzhou facility.

– Approximately HK$666 million (or 15% of the net proceeds) to fund potential global business development and strategic acquisition opportunities, including interests in other biopharmaceutical companies, to complement our internal research and development activities and enhance our current drug candidate pipeline; as of the Latest Practicable Date, we have not identified any specific targets, or adopted a concrete timetable or expected capital expenditure plan to implement any acquisition; and

– Approximately HK$222 million (or approximately 5% of the net proceeds) for working capital, expanding internal capabilities globally and in China and general corporate purposes.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we plan to use the proceeds which are not immediately applied for the intended purposes for interest-bearing deposits with licensed commercial banks or financial institutions.

The net proceeds in the event that the Offer Price is fixed at a lower level compared to the Maximum Offer Price will be allocated to the above purposes on a pro rata basis.

The Over-allotment Option will be granted by the Company. If the Over-allotment Option is exercised in full, after deducting the relevant underwriting commissions, the additional net proceeds which the Company will receive from such exercise of the Over-allotment Option will be approximately HK$677 million. Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to the above purposes on a pro rata basis.

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (WUMP) Ordinance:

	Relevant Rules	Subject Matter
1.	2.07C(4)(a)	Submission of announcements to the Stock Exchange and disclosure of inside information
2.	4.10, 4.11, Note 2.1 to paragraph 2 of Appendix 16	Use of US GAAP and auditing standards
3.	9.09(b)	Dealing in Shares by core connected persons during a listing application
4.	10.04 and Paragraph 5(2) of Appendix 6	Restrictions on existing Shareholders to subscribe for Shares
5.	Paragraph 5(1) of Appendix 6	Restrictions on Allocation of Offer Shares to a Connected Client
6.	10.08	Restriction on further issue of Shares by the Company
7.	Chapter 14A	Non-exempt continuing connected transactions
8.	17.02(1)(b), para 27 of Appendix 1A, paragraph 10(d) of Part I of Third Schedule to C(WUMP)O	Disclosure requirements in relation to equity compensation schemes
9.	12.04(3), 12.07 and 12.11	Availability of copies of the prospectus in printed form
10.	Paragraph 15(2)(c) of Appendix 1A	Disclosure of issue price or offer price
11.	Paragraph 4.2 of Practice Note 18	Clawback Mechanism

1. Waiver in relation to the submission of announcements to the Stock Exchange and disclosure of inside information

Rule 2.07C(4)(a) of the Listing Rules provides that announcements and notices must not be published on the Stock Exchange's website between 8:30 a.m. and 12:00 noon and between 12:30 p.m. and 4:30 p.m. on a normal business day in Hong Kong, except for those listed in Rule 2.07C(4)(a)(i) to (vi). Rule 13.10A requires an issuer to apply for a trading halt or a trading suspension in the circumstances stated in Rule 13.10A (1) to (3) where an announcement of inside information cannot be made promptly.

The securities of the Company are admitted to trading on AIM and Nasdaq. The securities of the Company will be traded on three stock exchanges in three different time zones upon the Listing and the Company will be subject to the disclosure requirements applicable to the three stock exchanges.

Under the AIM Rules, the Company must, except in limited circumstances, issue a public announcement through a regulatory information service ("**RIS**") without delay of any new developments which are not public knowledge which, if made public, would be likely to lead to a significant movement in the price of its AIM securities ("**AIM PSI**"). Pursuant to the EU Market Abuse Regulation (as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018) ("**UK MAR**", together with the AIM Rules, the "**Overseas Rules**"), the Company must, except in limited circumstances, notify an RIS as soon as possible of any inside information ("**MAR PSI**") with respect to the Company. Broadly, MAR PSI is precise, non-public information which, if it were made public, would be likely to have a significant effect on the price of the Company's shares or financial instruments.

The limited circumstances under the AIM Rules whereby the Company may delay the disclosure of AIM PSI are, in general terms, when the information relates to an impending development or a matter in the course of negotiation provided such information is kept confidential and effective procedures and controls designed to ensure the confidentiality of such information are in place to minimize the risk of a leak.

The limited circumstances under UK MAR whereby the Company may delay the disclosure of MAR PSI are, in general terms, where all of the following conditions are met:

(i) immediate disclosure is likely to prejudice the legitimate interests of the Company;

(ii) the delay of disclosure is not likely to mislead the public; and

(iii) the Company is able to ensure the confidentiality of that information.

Announcements of AIM PSI and MAR PSI by AIM issuers are disseminated through an RIS such as the Regulatory News Service ("**RNS**") which releases announcements during the core publishing hours of 7:00 am to 6:30 pm Monday to Friday (excluding U.K. bank holidays) although it is also possible but uncommon to release announcements outside of the publishing hours of RIS through the delivery of the announcement to two national newspapers and two newswires services in accordance with the guidance of the U.K. Financial Conduct Authority. The London Stock Exchange and the U.K. Financial Conduct Authority do not impose any general restriction on the ability of AIM issuers to release regulatory announcements during U.K. trading hours. While the London Stock Exchange may allow in certain circumstances a suspension of the trading of AIM securities if a company cannot make an immediate notification in accordance with its disclosure obligations or is concerned that such notification may be insufficient to properly inform the market in accordance with the AIM Rules, according to guidance from the London Stock Exchange, these situations are rare and it is usually possible for a company to make the requisite announcement.

AIM PSI and MAR PSI will, in general, also be inside information under the Listing Rules (together, "**Inside Information**"). All times during both (1) the permitted periods of submitting announcements to the Stock Exchange under Rule 2.07C(4)(a) of the Listing Rules (which are non-trading hours of the Stock Exchange) and (2) the RNS core publishing hours are trading hours of AIM. In other words, the securities of the Company will be trading on AIM but not on the Stock Exchange at all times when an announcement can be published on both the Stock Exchange and through an RNS during the overlapping publication periods of the Stock Exchange and RNS.

If all Inside Information must be announced during the permitted periods for submitting announcements to the Stock Exchange under Rule 2.07C(4)(a) of the Listing Rules and during RNS core publishing hours (i.e. outside of trading hours on the Stock Exchange but within the trading hours of AIM where there are no restrictions on the announcement of Inside Information during the trading hours), Hong Kong investors may be at a disadvantage compared to investors on AIM (where trading halts are unlikely) as those investors may be able to deal in the Company's securities immediately following the announcement of Inside Information while Hong Kong investors are prevented from doing so.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 2.07C(4)(a) of the Listing Rules such that the Company would be permitted to submit to the Stock Exchange and publish any announcement of Inside Information which it is required to make under the Overseas Rules between 8:30 a.m. and 4:30 p.m. on a normal business day in Hong Kong simultaneously with the submission to an RIS of the same announcement pursuant to the Overseas Rules, without any suspension of dealings or trading halt in the Company's securities, subject to the following conditions:

(a) The Company will disclose in this prospectus the grant of the waiver setting out relevant details including a clear indication of the impact of the waiver on the Hong Kong investors following any announcement made under the waiver, i.e. that one effect of the waiver for investors in Hong Kong is that trading in the Shares will continue in the event that an announcement containing Inside Information is released by the Company during normal trading hours in Hong Kong, and as a result, investors in Hong Kong should consider whether any Inside Information has been released during trading hours in Hong Kong prior to making an investment decision on the Shares.

(b) The Company will inform the Stock Exchange in the first instance of any material change to the Overseas Rules on disclosure of Inside Information as such information may be of material relevance to an assessment of the ongoing appropriateness of the waiver.

(c) The Company will use reasonable endeavors to comply with the relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to disclosure of Inside Information and electronic disclosure through the Stock Exchange's e-Submission System unless the Stock Exchange agrees to amend the waiver or grant a new waiver in the circumstances prevailing.

(d) The Directors are aware of their obligations under the Listing Rules for the maintenance of an orderly market in the Company's securities and would be guided by Practice Note 11 of the Listing Rules if there was a leak of Inside Information, if Inside Information could not be disclosed, or if it would be appropriate to issue a "warning" announcement. Further, the Company will use its best endeavors to manage its affairs in a timely manner, particularly with regard to the signing of agreements, to ensure there will be a continuous trading in its securities on the Stock Exchange save in exceptional circumstances.

(e) The Company will notify and submit electronic copies of the English and Chinese version of announcements, to the Stock Exchange at least 10 minutes in advance of the expected time of release.

(f) The waiver will only apply to announcements of Inside Information which the Company is, for reasons outside of the Company's control, required under the Overseas Rules to make between the overlapping trading hours on the Stock Exchange and AIM but not to any other announcements (including announcements for notifiable and/or connected transactions under the Listing Rules) which do not constitute Inside Information required to be disclosed under the Overseas Rules.

2. Waiver in relation to the use of US GAAP

Rules 4.10 and 4.11 of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules require the Company to prepare its financial statements in the prospectus and the subsequent financial statements issued after listing to be in conformity with: (a) HKFRS; (b) IFRS; or (c) China Accounting Standards for Business Enterprises in the case of companies incorporated in China.

US GAAP is well recognized and accepted by the international investment community, particularly among biotechnology companies, and significant progress has been made in the convergence between US GAAP and IFRS. The Company has, since the financial year ended December 31, 2015, used US GAAP in the preparation of its accounts in satisfaction of the Company's reporting obligations as a Nasdaq and AIM listed company. It may lead to confusion among the Company's investors, ADS holders and shareholders if the Company was required to adopt different accounting standards for its disclosures in Hong Kong from those in the U.S. and the United Kingdom. Aligning the accountings standards used for disclosures in the three markets will alleviate any such confusion.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.10 and 4.11 of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules subject to the following conditions:

(a) The Company will include (i) a description of the relevant key differences between US GAAP and IFRS; and (ii) a statement showing the financial effect of any material differences between the financial statements reported under US GAAP and IFRS (the "**Reconciliation Statement**") in the notes to the historical financial information of the Company as set out in the accountant's report of the Prospectus. Such historical financial information and notes to the historical financial information as set out in the accountant's report of the Prospectus will be audited by the reporting accountant.

(b) In compliance with the Stock Exchange's guidance set out in HKEX-GL102-19, the Company will include a Reconciliation Statement in the Company's interim and annual reports after the Listing, to be audited (in the case of a Reconciliation Statement contained in an annual report) or reviewed (in the case of a Reconciliation Statement contained in an interim report) by external auditors (in accordance with a standard at least equivalent to International Standard on Assurance Engagements 3000 or Hong Kong Standard on Assurance Engagements 3000).

(c) The Company will use Hong Kong Financial Reporting Standards or IFRS in the preparation of the Company's financial statements in the event that the Company is no longer listed on Nasdaq or has no obligation to make financial disclosure in the U.S.

(d) This waiver request will not be applied generally and is based on the specific circumstances of the Company.

In compliance with Rule 19.21 of the Listing Rules, the Company's financial statements after listing on the Stock Exchange will be audited using the auditing standards as determined by the United States Public Company Accounting Oversight Board.

3. Waiver in relation to dealing in securities by core connected persons during a listing application process

Rule 9.09(b) of the Listing Rules provides that in the case of a new applicant, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from 4 clear business days before the expected hearing date until listing is granted (the "**Restricted Period**").

The Group has two consolidated joint ventures: Hutchison Sinopharm, the Company's joint venture with Sinopharm, a company listed on the Stock Exchange, in which the Company has a 51% interest; and Hutchison Hain Organic, the Company's joint venture with Hain Celestial, a Nasdaq-listed company, in which it has a 50% interest. While both the Group and Hain Celestial have equal representation at the board of Hutchison Hain Organic, the Group has a casting vote and is therefore able to unilaterally control the financial and operating policies of Hutchison Hain Organic. Hutchison Hain Organic and its wholly-owned subsidiaries (in which the Group has 50% effective interest) are therefore consolidated in the Group's accounts. (Hutchison Sinopharm and Hutchison Hain Organic, each a "**consolidated joint venture**", and Sinopharm and Hain Celestial, each a "**JV Partner**"). As Hutchison Sinopharm and Hutchison Hain Organic are consolidated in the Group's accounts, each is a "subsidiary" of the Company, and the directors and substantial shareholders of the consolidated joint ventures are "core connected persons" under Rule 1.01 of the Listing Rules.

The Shares are publicly traded on AIM (in the form of depositary interests) and the ADSs are publicly traded on Nasdaq. The Company and its management are not in a position to control dealings in the Shares or the ADSs by:

(a) substantial shareholders (which are not subsidiaries of the Company i.e. the JV Partners) of the consolidated joint ventures of the Company or their close associates; and

(b) any other person (whether or not an existing Shareholder) who may, as a result of such dealing, become a substantial shareholder of the Company and who is not currently a Controlling Shareholder, a director or the chief executive of the Company and its subsidiaries or their close associates,

((a) and (b) together, the "**Permitted Persons**").

While the Group accounts for the consolidated joint ventures as subsidiaries due to its majority interest (in the case of Hutchison Sinopharm) or casting vote (in the case of Hutchison Hain Organic) in the consolidated joint ventures, it does not have control over the JV Partners. The JV Partners are themselves publicly traded on stock exchanges and the decisions of the JV Partners are not controlled by the Group. Therefore, even though the JV Partners are technically core connected persons of the Company and the Company has notified the JV Partners of the restrictions on dealing under Rule 9.09(b) of the Listing Rules, the Company is not in a position to control the dealings in the freely-traded Shares or ADSs by such persons, and therefore, the Company cannot procure or ensure compliance with Rule 9.09(b) of the Listing Rules by such persons.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 9.09(b) of the Listing Rules in respect of any dealing during the Restricted Period by Permitted Persons subject to the following conditions:

(i) The Company will promptly release any inside information to the public in the U.S. and the U.K. in accordance with the applicable Nasdaq Rules, the AIM Rules and UK MAR. Accordingly, the Permitted Persons are not in possession of any non-public inside information of which the Company is aware.

(ii) The Permitted Persons have no influence over the Global Offering and the Company and its management do not have control over the investment decisions of the Permitted Persons in the Shares and ADSs as the Shares and ADSs are freely traded.

(iii) The Company will notify the Stock Exchange of any breaches of the dealing restrictions by any of the core connected persons of the Company during the Restricted Period when the Company becomes aware of the same.

(iv) Prior to the Listing Date, (1) the Controlling Shareholders and their close associates and (2) the directors and the chief executive of the Company and its subsidiaries and their close associates will not deal in the Shares or the ADSs during the Restricted Period.

For the avoidance of doubt, the exercise and vesting of options and share awards granted under the Schemes shall not constitute dealing in the securities of the Company under Rule 9.09(b).

4. Waivers in relation to restrictions on existing Shareholders to subscribe for Shares

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) are fulfilled. Paragraph 5(2) of Appendix 6 to the Listing Rules provides that no allocations will be permitted, without the prior written consent of the Stock Exchange, to directors or existing shareholders of the applicant or their close associates unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

Private Placement Investors

General Atlantic and CPP Investments

As disclosed in *"History and Corporate Structure – Private Placements"*, pursuant to the relevant securities subscription agreement, each of General Atlantic and CPP Investments, each an existing Shareholder, (a) has the right to appoint (i) a management advisor (as further explained below), (ii) a non-voting observer to the Board if it holds at least 4.625% of the then current issued share capital of the Company, and (iii) a non-executive Director if it holds at least 8.5% of the then current issued share capital of the Company and (b) has been granted registration rights which would allow it to require the Company to effect the registration under the U.S. Securities Act of the Shares held by it under certain circumstances.

As provided under the securities subscription agreement, each of General Atlantic and CPP Investments has the right to appoint an employee of it or its affiliates, or engage a consultant or advisor, to act as a management advisor to the Company (the "**Management Advisor Right**"). Such management advisor shall provide management, business development and financial advisory services to the Company from time to time in the discretion of the management advisor. Subject to their availability and other duties to the Company, the chief executive officer and chief financial officer of the Company shall make themselves available to meet with the management advisor during regular business hours upon request. The securities subscription agreement also provides that the

management advisor is an independent contractor and shall not have the authority to bind or obligate the Company, and that the management advisor shall not be compensated by the Company for any such services provided.

General Atlantic had appointed a management advisor to the Company in July 2020. CPP Investments had not exercised the Management Advisor Right. Each of General Atlantic and CPP Investments has terminated its Management Advisor Right pursuant to an agreement with the Company dated June 9, 2021.

The Company has applied for waivers from strict compliance with the requirements of Rule 10.04 of, and consent under Paragraph 5(2) of Appendix 6 to, the Listing Rules to permit the Company to allocate Shares in the International Offering to General Atlantic and CPP Investments (each an "**Investor**") as cornerstone investors. Based on the specific circumstances of the Company, the Stock Exchange has granted the requested waiver and consent on the following conditions:

(a) The Investor is interested in less than 5% of the Company's voting rights before the Listing.

(b) The Investor is not a core connected person of the Company or any close associate of any such core connected person immediately prior to the Global Offering.

(c) The allocation of Shares to the Investor as a cornerstone investor will not result in the Investor's shareholding in the Company reaching 4.625% (the required shareholding for the Investor to be able to appoint a non-voting observer to the Board) or 8.5% (the required shareholding for the Investor to be able to exercise its right to appoint a non-executive Director).

(d) The allocation of Shares to the Investor as a cornerstone investor in the Global Offering will not affect the Company's ability to satisfy the public float requirement of Rule 8.08 of the Listing Rules.

(e) The Joint Sponsors, based on (i) their discussions with the Company and the Joint Bookrunners and (ii) the confirmations from the Company in paragraph (f) below, and to the best of their knowledge and belief, confirm to the Stock Exchange in writing that they have no reason to believe that the Investor received any preferential treatment in the allocation of Shares as a cornerstone investor by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under the cornerstone investment following the principles set out in the Stock Exchange Guidance Letter (HKEX-GL51-13).

(f) The Company confirms to the Stock Exchange in writing that (i) no preferential treatment has been, nor will be, given to the Investor in the allocation of Shares as a cornerstone investor by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in the Stock Exchange Guidance Letter (HKEX-GL51-13), and (ii) the Investor's cornerstone investment agreement does not contain any material terms which are more favorable to the Investor than those in other cornerstone investment agreements.

(g) Details of the allocation of Shares to the Investor will be disclosed in this prospectus and the allotment results announcement of the Company.

(h) The Investor will terminate the Management Advisor Right prior to entering into the cornerstone investment agreement.

(i) General Atlantic will not exercise the Warrant up to and upon the Listing.

For further information, please refer to *"Cornerstone Investors"* in this prospectus.

Other Non-connected Existing Shareholders

As the Shares are publicly traded on AIM (in the form of depositary interests) and the ADSs are publicly traded on Nasdaq, existing Shareholders and holders of ADSs and/or their close associates (excluding core connected persons of the Company and their close associates) (the "**Non-connected Existing Shareholders**") are public investors in the Company. For the avoidance of doubt, Non-connected Existing Shareholders do not include any Permitted Person (as defined in "– *Waiver in relation to Dealing in Shares by Core Connected Persons During a Listing Application Process*" above) who is or may become an existing Shareholder prior to Listing, as such Permitted Persons are core connected persons of the Company.

As the Company's Shares have been traded on AIM since 2006 and its ADSs have been traded on Nasdaq since 2016, the Company has a wide and diverse shareholder base and is not in a position to prevent any person or entity from acquiring its listed securities prior to the allocation of Shares in connection with the Global Offering. It would be unduly burdensome for the Company to seek the prior consent of the Hong Kong Stock Exchange for each of its existing shareholders or their close associates who subscribe for Offer Shares in the Global Offering.

It is proposed that, as part of the International Offering, the Company will place the Shares at the Offer Price to certain Non-connected Existing Shareholders ("**Participating Minority Shareholders**"). The Company has applied for a waiver from strict compliance with the requirements of Rule 10.04 of and Paragraph 5(2) of Appendix 6 to the Listing

Rules in respect of the restriction on Participating Minority Shareholders to subscribe for or purchase Shares in the Global Offering. Based on the specific circumstances of the Company, the Stock Exchange has granted the requested waiver and consent, subject to the following conditions:

(a) The Joint Sponsors will confirm that each Participating Minority Shareholder is interested in less than 5% of the Company's voting rights before the Listing (except for a Shareholder who was interested in more than 5% of the Company's voting rights as of the date of this prospectus).

(b) The Joint Sponsors will confirm that the Participating Minority Shareholders are not core connected persons or their close associates.

(c) The Joint Sponsors will confirm that the Participating Minority Shareholders do not have the power to appoint Directors or any other special rights.

(d) The Joint Sponsors will confirm that any allocation to the Participating Minority Shareholders will not affect the applicant's ability to satisfy the public float requirement.

(e) The Joint Sponsors will confirm that based on (i) their discussions with the Company and the Joint Bookrunners; and (ii) the confirmations from the Company and the Joint Bookrunners, and to the best of their knowledge and belief, the Joint Sponsors have no reason to believe that the Participating Minority Shareholders received any preferential treatment as placees in the International Offering by virtue of their relationship with the Company.

(f) The Company will confirm that no preferential treatment has been, nor will be, given to the Participating Minority Shareholders by virtue of their relationship with the Company in the International Offering.

(g) The Joint Bookrunners will confirm, to the best of their knowledge and belief, that no preferential treatment has been, nor will be, given to the Participating Minority Shareholders by virtue of their relationship with the Company in the International Offering.

(h) The Participating Minority Shareholders have no influence over the offering process and will be treated the same as other placees in the Global Offering.

Allocation to the Participating Minority Shareholders will not be disclosed in the allotment results announcement of the Company as the Company believes that it would be unduly burdensome for it to disclose such information given (i) there is no requirement to file Schedule 13D (or an abbreviated Schedule 13G) beneficial ownership reports with the SEC until such person or group of persons (including directors and officers of the company concerned) acquires beneficial ownership of more than 5% of a company's

equity securities registered under the U.S. Securities Exchange Act; and (ii) there is no requirement to disclose interests under Chapter 5 of the UK Disclosure Guidance and Transparency Rules unless the percentage of voting rights in the Company that a person holds (through shares or certain financial instruments) reaches, exceeds or falls below (as a result of an acquisition, disposal or change to the issuer's total voting rights), 3% and each 1% threshold above 3%, provided that certain voting rights are disregarded for disclosure purposes subject to the application of exemptions.

5. Waiver in relation to Allocation of Offer Shares to a Connected Client

Paragraph 5(1) of Appendix 6 to the Listing Rules states that without the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of Appendix 6 to the Listing Rules states that "connected clients" in relation to an exchange participant includes any client which is a member of the same group of companies as such exchange participant.

CICC Grandeur Fund is managed by CICC Capital as the fund manager, which is a wholly-owned subsidiary of China International Capital Corporation Limited. As China International Capital Corporation Hong Kong Securities Limited ("**CICC**") is an indirect wholly-owned subsidiary of China International Capital Corporation Limited, CICC Grandeur Fund is a "connected client" of CICC, which has been appointed by the Company as one of the Joint Sponsors, Joint Global Coordinators and Joint Bookrunners.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit the Company to allocate the Offer Shares to CICC Grandeur Fund as a cornerstone investor subject to the following conditions:

1. any Offer Shares to be allocated to CICC Grandeur Fund will be held on behalf of independent third parties;

2. the cornerstone investment agreement entered with CICC Grandeur Fund does not contain any material terms which are more favourable to CICC Grandeur Fund than those in other cornerstone investment agreements;

3. CICC has not participated in the decision-making process or relevant discussions among the Company, the Joint Bookrunners and the Underwriters as to whether CICC Grandeur Fund will be selected as a cornerstone investor;

4. no preferential treatment has been, nor will be, given to CICC Grandeur Fund by virtue of its relationship with CICC other than the preferential treatment of assured entitlement under a cornerstone investment following principles set out in HKEX-GL51-13;

5. each of the Company, the Joint Sponsors, the Joint Bookrunners, CICC and CICC Grandeur Fund has provided the Stock Exchange a written confirmation in accordance with HKEX-GL85-16; and

6. details of the allocation have been and will be disclosed in this prospectus and the allotment results announcement.

For further details, see "*Cornerstone Investors*".

6. Waiver in relation to restriction on further issue of Shares by the Company

Relevant Listing Rule Requirements

Listing Rule 10.08 provides that no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealings (the "**Six-Month Period**")).

Background

To further support the Company's growth plans, the Company continues to monitor market conditions for, and evaluate the possibility of, seeking further listings on other stock exchanges such as the STAR Market. While the evaluation is ongoing, no decision has been made as to whether any such further listings will be sought and, if so, whether any application for such further listings will be successful.

(i) Commercial Rationale

As a research and development driven biopharmaceutical company principally engaged in the discovery, development and commercialization of targeted therapies and immunotherapies in oncology and immunological diseases, the Company periodically requires additional funding for its product development and commercialization efforts.

The Company's major research and development and commercialization operations are based primarily in Shanghai. The Company has built significant brand equity and recognition among the medical community, investors, employees and the general public in the PRC, in particular with its recent product approvals and launches. The Company believes that a listing of the Company on the STAR Market (a "**STAR Listing**") will provide an additional venue, access to different investors and flexibility for the Company to raise funds for such activities in a market that is among the most relevant to its principal place of operations.

(ii) Proposed Timing

If the Company seeks a STAR Listing, subject to market conditions, it may commence the application process for such potential STAR Listing within six months of the Listing on the Stock Exchange. The Company expects any issue of shares in the Company pursuant to a STAR Listing and the completion of a STAR Listing to take place at least six months following the completion of the Listing on the Stock Exchange. However, whether the Company proceeds with and completes a STAR Listing remains uncertain.

(iii) STAR Listing Application Steps

The STAR Listing Application Steps to be taken by the Company in connection with a potential application for a STAR Listing, all or part of which may be taken during the Six-Month Period, are:

(a) formal engagement of the sponsors with respect to the potential STAR Listing (the "**PRC Sponsors**") and certain professional parties;

(b) signing of a tutoring agency agreement with the PRC Sponsors with respect to the pre-listing tutoring of the Company and its directors, senior management and major shareholders by the PRC Sponsors and other professional parties on the listing rules on the listing of domestic shares in the PRC (the "**A-share**"), corporate governance, financial management and internal controls, the filing of a public application with the local CSRC branch in relation to the intention to apply for an A-share listing and the engagement of the professional parties to conduct pre-listing tutoring, and an announcement by the Company with respect to the foregoing;

(c) submission of periodic tutoring progress reports to the local CSRC branch during the pre-listing tutoring period of approximately three months; and

(d) upon the completion of the local CSRC branch's review of the tutoring progress and the issue of a no-comment letter, the submission of an official application for a STAR Listing to the Shanghai Stock Exchange.

(iv) Dilution Impact

If the Company proceeds with and completes a STAR Listing, the Company currently expects to issue new shares (including pursuant to any over-allotment option granted in connection with such potential STAR Listing) representing no more than 20% of the issued share capital of the Company immediately following the completion of such potential STAR Listing (taking into account the Shares to be issued pursuant to the Global Offering but without taking into account any Shares to be issued pursuant to any (a) exercise of the Over-allotment Option, (b) exercise of share options granted or to be

granted under the Hutchmed Option Schemes or (c) exercise of the Warrant). The issue of shares pursuant to a potential STAR Listing would result in the shareholding of our Shareholders immediately prior to the completion of such potential STAR Listing being diluted by no more than 20%. Any STAR Listing and the size of any offering of new shares in the Company in connection with a STAR Listing (and consequently, the dilution impact on the shareholding of the then existing Shareholders) will be subject to a number of factors, including market conditions, the funding needs of the Company, approval of the Shareholders and approval of the Shanghai Stock Exchange, the CSRC and all relevant regulators. In addition, if the Company proceeds with and completes a STAR Listing, the financial impact of such potential STAR Listing will be affected by the number, price and currency of the new shares in the Company which are issued in connection with such potential STAR Listing.

(v) *Proposed Use of Proceeds*

The Company currently expects to use the net proceeds received from a STAR Listing for, among other things:

- furthering our product development and commercialization efforts;
- advancing our late-stage clinical programs;
- supporting further proof-of-concept studies and funding continued expansion of our product portfolio in cancer and immunological diseases through internal research;
- funding potential global business development and strategic acquisition opportunities to complement our internal research and development activities; and
- working capital, expanding internal capabilities globally and in China, and general corporate purposes,

further details of which will be announced at the relevant time.

Waiver

The Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with Rule 10.08 on the conditions that:

(a) the Company will disclose in this prospectus (i) details of this waiver and (ii) that it is evaluating the possibility of other opportunities to further its business strategies, one option of which is to seek an additional listing on the STAR Market, and all or part of the STAR Listing Application Steps may be carried out during the Six-Month Period;

(b) the Company will disclose in this prospectus that any actual STAR Listing and any issue of shares pursuant to a STAR Listing are expected to take place after the expiry of the Six-Month Period, noting however that whether the Company proceeds with and completes a STAR Listing remains uncertain;

(c) the Company will comply with the requirements of Rule 10.08 of the Listing Rule, save for all or part of the STAR Listing Application Steps which may occur during the Six-Month Period;

(d) Shareholders' approval will be obtained in connection with such STAR Listing and the proposed offering size and the resulting dilutive effect of such STAR Listing will be disclosed in the relevant circular to shareholders; and

(e) the Controlling Shareholders will not dispose of the Shares from the Listing Date to the date that is six months after the Listing Date (the "**First Six-Month Period**"), and will remain as the controlling shareholders of the Company for the six months immediately following the First Six-Month Period.

7. Waivers in relation to non-exempt continuing connected transactions

Certain members of the Group have entered into certain transactions which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules following the Listing. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. See "*Connected Transactions – Waiver Application for Non-exempt Continuing Connected Transactions*."

Under Rule 14A.52 of the Listing Rules, the period of an agreement for a continuing connected transaction must be fixed. However, the term of the Hain Products Supply Agreement is for an unspecified term, as further explained in "*Connected Transactions*."

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14A.52 of the Listing Rules such that the term of the Hain Products Supply Agreement can be of an unspecified term, subject to the following conditions:

(a) the Company will disclose in this prospectus the major reasons for the Hain Products Supply Agreement to be for an unspecified term and the details of the waiver; and

(b) the Company will re-comply with the applicable requirements of the Listing Rules for setting the annual caps for the transactions under the Hain Products Supply Agreement before the expiry of the initial term of three years during which a waiver in relation to the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Hain Products Supply Agreement has been applied for.

8. Waiver in relation to disclosure requirements on equity compensation schemes

Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, requires the Company to disclose, among other things, details of the number, description and amount of any shares in or debentures of the Company or any member of the Group which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, share options which were outstanding under the Hutchmed Option Schemes had been granted by the Company to 184 grantees, including (i) three Directors and connected persons and three senior managers and executives of the Group and (ii) 178 other employees of the Group (the "**Other Grantees**"), to subscribe for or receive an aggregate of respectively, 13,081,245 Shares and 23,139,445 Shares, representing, respectively, 1.54% and 2.73%, of the total number of Shares in issue immediately after completion of the Global Offering (without taking into account the Shares to be issued pursuant to the Over-allotment Option, the exercise of share options granted under the Hutchmed Option Schemes or the exercise of the Warrant). See "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*."

The Company has applied (i) to the Stock Exchange for a waiver from strict compliance with Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and (ii) to the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance in relation to the disclosure of the details of Other Grantees of share options under the Hutchmed Option Schemes on the grounds that the waiver and exemption (i) will not be prejudicial to the investing public and (ii) strict compliance with the above requirements would be unduly burdensome for the Company for the following reasons:

(a) As of the Latest Practicable Date, share options which were outstanding under the Hutchmed Option Schemes had been granted by the Company to 178 Other Grantees to subscribe for or receive an aggregate of 23,139,445 Shares. The number of Shares represented by the outstanding options granted to the Other Grantees as of the Latest Practicable Date will represent 2.73% of the Shares at Listing in aggregate. On an individual basis, the options granted to the Other Grantees represent 0.00% to 0.16% of the Shares at Listing. The Company considers that it would be unduly burdensome to disclose in this prospectus full details of all the options granted by the Company to each of the Other Grantees, which will require substantial number of pages of additional disclosure that does not provide any material information to the investing public and would significantly increase the cost and time required for information compilation and prospectus preparation.

(b) The disclosure in this prospectus as set out below will be sufficient to enable potential investors to make an informed assessment of the potential dilution effect of the share options granted under the Hutchmed Option Schemes.

(c) The grant of the awards and the issue of the Shares by the Company to satisfy the awards granted when they are exercised will not result in any material adverse change in the financial position of the Company.

(d) The full list of grantees with details stated individually will be made available for public inspection in Hong Kong as set out in the prospectus. Therefore, such information would still be available to any investor who considered this material to its assessment of the Company.

The Stock Exchange has granted to the Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix I to the Listing Rules on the following conditions:

(a) on an individual basis, full details of all share options granted under the Hutchmed Option Schemes by the Company to each of (i) the Directors and connected persons and (ii) members of senior management of the Company, be disclosed in this prospectus, and such details include all particulars required by Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules be disclosed in this prospectus;

(b) in respect of the share options granted under the Hutchmed Option Schemes to the Other Grantees, other than those referred to in paragraph (a) above, by bands of (i) options to subscribe for 400,000 Shares or above and (ii) options to subscribe for below 400,000 Shares, the following details, including (i) the aggregate number of the grantees and the number of Shares subject to such option; (ii) the consideration paid for the grant of such options; and (iii) the exercise period and the exercise price for such options will be disclosed in the Prospectus;

(c) the aggregate number of Shares underlying the share options granted and the percentage of the issued share capital of the Company represented by them, and the dilution effect and the impact on earnings/losses per Share upon full exercise and vesting of the share options granted will be disclosed in this prospectus;

(d) a summary of the major terms of the Hutchmed Option Schemes will be disclosed in this prospectus; and

(e) particulars of the waiver from the Stock Exchange, if granted, will be disclosed in this prospectus.

The SFC has agreed to grant to the Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the following conditions:

(a) on an individual basis, full details of all share options granted under the Hutchmed Option Schemes by the Company to each of (i) the Directors and connected persons and (ii) members of senior management of the Company, be disclosed in this prospectus, and such details include all particulars required by paragraph 10 of Part I of the Third Schedule to the C(WUMP)O be disclosed in this prospectus;

(b) in respect of the options granted under the Hutchmed Option Schemes to Other Grantees of the Hutchmed Option Schemes, other than those referred to in paragraph (a) above, by bands of (i) options to subscribe for 400,000 Shares or above and (ii) options to subscribe for below 400,000 Shares, the following details, including (i) the aggregate number of the grantees and the number of Shares subject to such options; (ii) the consideration paid for the grant of such options; and (iii) the exercise period and the exercise price for such options be disclosed in this prospectus;

(c) a full list of all grantees who have been granted options to subscribe for Shares under the Hutchmed Option Schemes, containing all the details required under paragraph 10 of Part I of the Third Schedule to the C(WUMP)O be made available for public inspection, details of which are set out in the section headed "*Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection*" in this prospectus; and

(d) the particulars of the exemption will be disclosed in this prospectus and this prospectus will be issued on or before June 18, 2021.

9. Waiver in respect of availability of copies of the prospectus in printed form

The Company has adopted a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. The Company will adopt additional communication measures as the Company considers appropriate to inform the potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, including publishing on the website of the Company and in both English and Chinese-language newspapers, a formal notice describing the fully electronic application process including the available channels for share subscription of the Hong Kong Offer Shares. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements

under Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of the availability of copies of the prospectus in printed form based on the specific and prevailing circumstances of the Company.

10. Disclosure of issue price or offer price

Paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules provides that the issue price or offer price of each security must be disclosed in the prospectus. Pursuant to paragraph 3.1 of the Guidance Letter HKEX-GL90-18, the Stock Exchange also allows an indicative offer price range to be included in the prospectus, as an alternative to the disclosure of a fixed offer price. Paragraph 9 of Part 1 of the Third Schedule to the Companies (WUMP) Ordinance further provides that the amount payable on application and allotment on each share must be specified in the prospectus.

In case of the Company, the ADSs have been listed on Nasdaq on March 17, 2016, and the Shares have been admitted to trading on AIM since May 19, 2006, and the Company has no control over the market prices of the ADSs traded on Nasdaq or prices of the Shares traded on AIM. As the ADSs and Shares will continue to be traded on Nasdaq and AIM, setting a fixed price or a price range with a low end of Offer Price may adversely affect the market price of the ADSs and Shares and the Hong Kong Offer Shares, considering, among other things, that this may indicate an arbitrary floor price and may potentially prejudice the Company's ability to price in the best interest of the Company and its Shareholders.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules to permit the Company to disclose only the Maximum Offer Price for the Offer Shares in the prospectus. The Company will set the Offer Price by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The Offer Price will be determined by reference to, among other factors, the closing trading prices of the ADSs on Nasdaq or prices of Shares on AIM on the last trading day on or before the Price Determination Date.

For the historical prices of the ADSs and Shares and trading volume on Nasdaq and AIM for the period from 1 January 2020 up to the Latest Practicable Date, please see *"Structure of the Global Offering – Pricing and Allocation – Determining the Offer Price."*

Given in no circumstances would the Offer Price be greater than the Maximum Offer Price as stated in this prospectus and the Green Application Form, the disclosure of the Maximum Offer Price in this prospectus constitutes sufficient disclosure of the "amount payable" on application and allotment on the Offer Shares and are in compliance with the requirement to disclose the "amount payable" on application and allotment on the Offer Shares under the C(WUMP)O.

11. Waiver in respect of the clawback mechanism under paragraph 4.2 of Practice Note 18 of the Listing Rules

Under Paragraph 4.2 of Practice Note 18 to the Listing Rules, where an initial public offering includes both a placing tranche and a public subscription tranche, the minimum allocation of shares to the public subscription tranche shall be an initial allocation of 10% of the shares offered in the initial public offering and subject to a clawback mechanism that increases the number of shares available in the public subscription tranche depending on the demand for those shares as set out in the paragraph. The Company applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 to the Listing Rules on the basis that:

(a) the Global Offering is sizeable with a public offering tranche for Hong Kong retail investors of a size significantly larger than the public offering tranche in many other Hong Kong public offerings; and

(b) it is important for secondary market stability and maintaining an appropriate and diverse shareholder base. The Company is an established global bio-tech company currently dual-listed on the AIM and Nasdaq, with its existing shareholder base comprised of many international institutional investors, a significant number of whom are bio-tech focused and have provided long-term support to the Company. Under prevailing market conditions, retail investors have demonstrated more speculative behavior when making investment decisions. Such potentially large retail tranche full operation of the clawback mechanism under Paragraph 4.2 of Practice Note 18 and consequential potential increase in volatility in the aftermarket may impact institutional investors' investment decisions with respect to the Company.

In the event of over-subscription, the following alternative clawback mechanism shall be applied:

a. 13,000,000 Offer Shares available in the Hong Kong Public Offering, representing approximately 12.5% of the Offer Shares initially available under the Global Offering;

b. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 12.5 times or more but less than 42.5 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 19,240,000 Offer Shares, representing 18.5% of the Offer Shares initially available under the Global Offering;

c. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 42.5 times or more but less than 85 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 25,480,000 Offer Shares, representing approximately 24.5% of the Offer Shares initially available under the Global Offering; and

d. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 85 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 50,440,000 Offer Shares, representing approximately 48.5% of the Offer Shares initially available under the Global Offering,

on the conditions that such alternative clawback mechanism (i) offers more shares in absolute dollar amount to the Hong Kong Public Offering at the initial stage compared to the oversubscription clawback mechanism as set out in paragraph 7b of the Stock Exchange's Listing Decision HKEX-LD60-2 for a typical waiver from Paragraph 4.2 requirements (the "**Typical PN18 Waiver**"); (ii) allocates a higher proportion of Shares to the Hong Kong Public Offering as compared to a Typical PN18 Waiver; and (iii) has earlier oversubscription clawback-trigger multiples than a Typical PN18 Waiver. The clawback mechanism under Paragraph 4.2 of Practice Note 18 will be applied if such conditions are not met. In such a case, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times and (iii) 100 times or more of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 31,200,000 Offer Shares (in the case of (i)), 41,600,000 Offer Shares (in the case of (ii)) and 52,000,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering.

See "*Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback*" for further details.

LISTINGS

The Company has primary listings of ADSs on the Nasdaq and Shares on AIM, which it currently intends to maintain alongside its proposed primary listing of Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the exercise of options granted under the Hutchmed Option Schemes and the exercise of the Warrant on the Main Board of the Stock Exchange. Application has been made to the London Stock Exchange for the admission of the Shares to be issued pursuant to the Global Offering to AIM.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

The principal Cayman Islands register of members (the "**Principal Share Register**") holding Shares admitted to trading on AIM and Shares represented by the ADSs (including Shares represented by "**Restricted ADSs**") listed on Nasdaq is maintained by the Principal Share Registrar, Computershare Investor Services (Jersey) Limited, and the Hong Kong branch register of members (the "**Hong Kong Share Register**") holding Shares to be traded on the Stock Exchange will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange will be conducted in Hong Kong dollars, dealings in the Shares on AIM will be conducted in British pounds, and dealings in the ADSs on Nasdaq will be conducted in U.S. dollars. The Shares will be traded on the Stock Exchange in board lots of 500 Shares.

The transaction costs of dealings in the Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.0027%, a transfer deed stamp duty of HK$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the current rate of 0.1% each (which is proposed to be increased to 0.13% as announced by the Hong Kong Government in its Budget for 2021/22 and to be effective upon approval by the Legislative Council and the enactment of amendments to the Stamp Duty Ordinance) of the consideration or, if higher, the fair value of the Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

An investor may arrange with his broker or custodian on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must be the second business day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK$2.00 and a maximum fee of HK$100.00 per trade.

ADSs LISTED ON NASDAQ

Ownership of ADSs

An owner of ADSs may hold his ADSs either by means of an ADR (as defined below) registered in his name, through a brokerage or safekeeping account, or through an account established by the depositary bank in his name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank (commonly referred to as the "**direct registration system**" or "**DRS**"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and The Depository Trust Company ("**DTC**"), the central book-entry clearing and settlement system for equity securities in the United States. If an owner of ADSs decides to hold his ADSs through his brokerage or safekeeping account, he must rely on the procedures of his broker or bank to assert his rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. All ADSs held through DTC will be registered in the name of a nominee of DTC, being Cede & Co..

ADS Depositary

The depositary for our ADSs is Deutsche Bank Trust Company Americas (the "**ADS Depositary**"), whose office is located at 60 Wall Street, New York, New York 10005, United States. The certificated ADSs are evidenced by certificates referred to as American Depositary Receipts ("**ADRs**") that are issued by the ADS Depositary.

Each ADS represents ownership interests in five Shares, and any and all securities, cash or other property deposited with the ADS Depositary in respect of such Shares but not distributed to ADS holders.

ADSs may be held either (1) directly (a) by having an ADR registered in the holder's name or (b) by holding in the DRS, pursuant to which the ADS Depositary may register the ownership of uncertificated ADSs, which ownership will be evidenced by periodic statements issued by the ADS Depositary to the ADS holders entitled thereto, or (2) indirectly through the holder's broker or other financial institution. The following discussion regarding ADSs assumes the holder holds his ADSs directly. If a holder holds the ADSs indirectly, he must rely on the procedures of his broker or other financial institution to assert the rights of ADS holders described in this section. If applicable, you should consult with your broker or financial institution to find out what those procedures are.

We do not treat ADS holders as Shareholders, and ADS holders have no Shareholder rights. Cayman Islands law governs Shareholder rights. Because the ADS Depositary actually holds the legal title to the Shares represented by ADSs (through the ADS Depositary's Custodian (as defined below)), ADS holders must rely on it to exercise the rights of a Shareholder. The obligations of the ADS Depositary are set out in the deposit agreement among us, Deutsche Bank Trust Company Americas and our ADS holders and beneficial owners from time to time (the "**Deposit Agreement**"). The Deposit Agreement and the ADRs evidencing ADSs are governed by the laws of the State of New York.

Transfer of Shares Represented by ADSs Listed on Nasdaq to Hong Kong Share Register

All of the Shares are currently registered on the Principal Share Register in the Cayman Islands. As at the Latest Practicable Date, there was an aggregate of 744,515,660 issued Shares on the principal register of members in the Cayman Islands, 270,163,800 of which were on deposit in the ADS program in respect of 54,032,760 freely transferable ADSs. For the purposes of trading on the Stock Exchange, the Shares must be registered in the Hong Kong Share Register.

ADSs are quoted for trading on Nasdaq. An investor who holds Shares and wishes to trade ADSs on Nasdaq must deposit or have his broker deposit with Deutsche Bank AG, London Branch, as custodian of the ADS Depositary (the "**ADS Depositary's Custodian**"), Shares, or evidence of rights to receive Shares, so as to receive the corresponding ADSs as described below.

Withdrawal from and Deposit into the ADS Program

A deposit of the Shares into the ADS program involves the following procedures:

1. If the Shares are registered in the name of the Shareholder, the Shareholder will need to complete a removal request form which is available from the Hong Kong Share Registrar or the Principal Share Registrar and submit the same together with the relevant Share certificate(s) and fees involved as prescribed by the Hong Kong Share Registrar from time to time to the Hong Kong Share Registrar. If the Shares are deposited with CCASS, such Shares must first be withdrawn from his stock account or his designated CCASS Participant's stock account maintained with

CCASS, and the relevant share transfer form(s) executed by HKSCC Nominees, the relevant Share certificate(s) and a duly completed removal request form must be submitted to the Hong Kong Share Registrar.

2. Upon receipt of the removal request form and the relevant Share certificate(s) and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees, the Hong Kong Share Registrar will take all actions necessary to effect the transfer and removal of the Shares from the Hong Kong Share Register to the Principal Share Register.

3. Upon receipt of the Cayman share certificate, which will be posted to the registered address of the investor by the Principal Share Registrar, the investor is required to deliver the share certificate to the ADS Depositary together with ADS issuance instruction and payment of relevant fees.

4. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the ADS Depositary will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor.

Under normal circumstances, completion of steps (1) to (4) generally require (a) 15 business days for Shares deposited in CCASS, or (b) 3 business days, or more as necessary, for Shares held outside CCASS in physical form.

If an investor who holds ADSs wishes to trade Shares on the Stock Exchange, he must withdraw Shares from the ADS program and cause his broker or other financial institution to trade such Shares on the Stock Exchange. A withdrawal of Shares from the ADS program involves the following procedures:

1. To withdraw Shares from the ADS program, an investor who holds ADSs may turn in such ADSs at the office of the ADS Depositary (and the applicable American Depositary receipt(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the ADS Depositary. An investor has the right to cancel ADSs and withdraw the underlying Shares at any time except when temporary delays arise because the ADS Depositary has closed its transfer books in connection with voting at a Shareholders' meeting or the payment of dividends; when the investor or other ADS holders seeking to withdraw Shares owe money to pay fees, taxes and similar charges; when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of Shares or other deposited securities; or at any other times when the ADS Depositary or we consider it advisable.

2. Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the ADS Depositary will instruct the ADS Depositary's Custodian to transfer the Shares underlying the canceled ADSs to the investor on the Principal Share Register, creating a Share certificate which will be posted to the registered address of the investor. Regarding deposited property, other than Shares, which underlie ADSs, we currently do not have any plans to distribute any such property or cause such property to be deposited into the ADS program. The Deposit Agreement, however, contains provisions to address any such distribution in case it should arise. In summary, the Deposit Agreement provides that the ADS Depositary will send to ADS holders any such property we distribute on deposited Shares by any means it thinks is lawful and reasonably practicable. If it cannot make the distribution in that way, the ADS Depositary shall endeavor to sell what we distributed and distribute the net proceeds. If it is unable to sell such property, the ADS Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances for nominal or no consideration and the investors shall have no rights thereto or arising therefrom. The ADS Depositary is not required to distribute any property to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. Subject to the Listing Rules and any other applicable legal requirements, a distribution of securities other than Shares could possibly include equity securities of a different class from the Shares, debt securities or equity or debt securities of a third-party. It is expected that such securities, if distributed to an ADS holder, would not be in the form of Shares tradable on the Stock Exchange.

3. The Shareholder will need to complete a removal request form which is available from the Principal Share Registrar or the Hong Kong Share Registrar and submit the same together with the relevant Share certificate(s) and fees involved as prescribed by the Principal Share Registrar from time to time to the Principal Share Registrar.

4. Upon receipt of the removal request form and the relevant Share certificate(s), the Principal Share Registrar will take all actions necessary to effect the transfer and removal of Shares from the Principal Share Register to the Hong Kong Share Register. All costs relating to removal of the Shares between the Principal Share Register and the Hong Kong Share Register will be borne by the Shareholder requesting the removal.

5. Upon completion of the actions necessary to effect the transfer and removal of Shares from the Principal Share Register to the Hong Kong Share Register, the Hong Kong Share Registrar will issue certificates for the Shares to the Shareholder.

Upon collection or receipt of the Share certificates from the Hong Kong Share Registrar, Shareholders who wish to trade in the Shares on the Stock Exchange will need to either (i) deposit the Shares in their stock account or in their designated CCASS Participant's stock account maintained with CCASS; or (ii) deliver the share certificates and the duly executed transfer forms to their respective brokers for deposit into CCASS before the settlement date.

For a Shareholder in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules in effect from time to time. The time required for brokers to process the deposit of Share certificates would vary between individual brokers and Shareholders should therefore consult their respective brokers and make appropriate arrangements.

Under normal circumstances, completion of steps (1) to (5) generally require (a) 7 to 8 business days for Shares to be received outside CCASS in physical form, or (b) 20 to 21 business days, or more as necessary, for Shares deposited in CCASS (the time will vary depending on the individual broker's processing time).

Before the ADS Depositary will issue or register a transfer of an ADS or make a distribution on an ADS, or permit withdrawal of Shares, the ADS Depositary may require:

1. production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

2. compliance with regulations it may establish, from time to time, consistent with the Deposit Agreement, including presentation of transfer documents.

The ADS Depositary may refuse to deliver, transfer, or register issuances, transfers and cancelations of ADSs generally when the transfer books of the ADS Depositary or the Principal Share Registrar are closed or at any time if the ADS Depositary or we determine it advisable to do so.

All costs attributable to the transfer of Shares to effect a withdrawal from or deposit of Shares into the ADS program shall be borne by the Shareholder requesting the transfer. In addition, holders of Shares and ADSs must pay up to US$5.00 (or less) per 100 ADSs for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of Shares into, or withdrawal of Shares from, the ADS program. In addition to the above, holders of Shares and ADSs may also have to pay any applicable fee as stated in the share transfer forms used in the Cayman Islands or pursuant to the Articles of the Company and any related brokerage commission.

If you hold "Restricted ADSs," the withdrawal of the corresponding Shares upon presentation of the "Restricted ADSs" for cancelation is subject to special procedures, the details of which may be obtained from the Company or the ADS Depositary. The registration of issuances and transfers of Shares represented by "Restricted ADSs" is in the charge of the Principal Share Registrar, Computershare Investor Services (Jersey) Limited.

Upon the withdrawal of Shares from the ADS program and following payment of all fees, taxes and charges, investors can instruct the ADS Depositary, who will in turn instruct the ADS Depositary's Custodian, to deliver the Shares in the Principal Share Register.

SHARES ADMITTED TO TRADING ON AIM

The existing Shares are admitted to trading on AIM. The Shares are in registered form and exist only in certificated form. It is not necessary to be a member of CREST to hold Shares in certificated form.

DI Depositary

The Company has established a depositary interest arrangement to enable investors to settle trades in the Shares on AIM through the CREST system. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

Securities issued by companies incorporated in the Cayman Islands, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to hold and transfer such securities, and settle the trades in the Shares placed on AIM through the CREST system, a depositary or custodian can hold the relevant securities and issue de-materialized depositary interests ("**Depositary Interests**" or "**DIs**") representing the underlying securities which are held on trust for the holders of the Depositary Interests.

The Company has engaged Computershare Investor Services PLC ("**Depositary**") to provide the required custody services to allow for CREST members to hold and transfer interests in and settle trades of Shares placed on AIM within CREST, pursuant to a depositary interest arrangement. The Shares are not themselves admitted to CREST. Instead, the Depositary issues Depositary Interests. The Depositary Interests are independent securities constituted under English law which may be held and transferred through the CREST system. Depositary Interests are created and issued pursuant to a deed poll entered into by the Depositary, which governs the relationship between the Depositary and the holders of the Depositary Interests. Shares represented by Depositary Interests are issued or transferred to the Depositary (or any custodian appointed by the Depositary), and are held on bare trust for the holders of the Depositary Interests.

The Depositary Interests are held on a register in the U.K. maintained by the Depositary. The Depositary Interests have the same security code as the underlying Shares which they represent and do not require a separate admission to AIM. Each Depositary Interest is treated as one Share for the purposes of determining, for example, eligibility for any dividends. The Depositary or its nominated custodian shall, to the extent possible, pass on to the holder of Depositary Interests all rights and entitlements which the Depositary or nominated custodian receives in respect of the Shares such as any such rights or entitlements to cash distributions, to information to make choices and elections, and to attend and vote at general meetings.

The Depositary Interests are not themselves admitted to trading on AIM or any other exchange. They simply represent a mechanism by which trades in the Shares placed on AIM can be settled in CREST. Once settled, the holders can either continue to hold their interests in Shares in the form of Depositary Interests (in CREST) or withdraw their interests from CREST (at which point the underlying Shares will be transferred in certificated form to them) on the Principal Share Register.

The Depositary Interests exist only in uncertificated form and are therefore only available to members of the CREST system or their sponsored members. It is possible to convert holdings of Depositary Interests (in uncertificated form) into holdings of Shares (in certificated form) on the principal share register and vice versa using the CREST stock deposit and stock withdrawal mechanisms (see "– *Withdrawal from and Deposit into CREST*" below).

Transfer of Shares Admitted to Trading on AIM to Hong Kong Share Register

All of the Shares are currently registered on the Principal Share Register in the Cayman Islands. As at the Latest Practicable Date, there was an aggregate of 744,515,660 issued Shares on the principal register of members in the Cayman Islands, all of which were admitted to trading on AIM. For the purposes of trading on the Stock Exchange, the Shares must be registered in the Hong Kong Share Register.

Any investor whose Shares are recorded on the Principal Share Register and admitted to trading on AIM may at any time obtain a removal request form from the Principal Share Registrar to remove the Shares to the Hong Kong Share Register. A removal request form when completed should be returned together with the corresponding share certificates and cheque for the relevant charges to the Principal Share Registrar, who will arrange for the removal of such Shares to the Hong Kong Share Register. A request to remove Shares from the Principal Share Register to the Hong Kong Share Register is typically processed in three business days.

Depositary Interests held in CREST must be withdrawn from CREST in order to be removed to the Hong Kong Share Register. Accordingly, in addition to submitting a removal request, any Shareholder holding Depositary Interests in CREST should arrange for a stock withdrawal instruction to be sent through the CREST system specifying the number of Depositary Interests to be withdrawn from CREST and the name and address for registration of such Shares on the Principal Share Register prior to removal to the Hong Kong Share Register. A stock withdrawal instruction is typically processed within the same day, subject to the time of receipt of such instruction.

Similarly, any investor whose Shares are registered on the Hong Kong Share Register can at any time obtain a form of request from the Hong Kong Share Registrar to remove Shares to the Principal Share Register. On the return of such form, duly completed, together with the corresponding share certificates and payment for the relevant charges, the Hong Kong Share Registrar will arrange for the removal of such Shares to the Principal Share Register.

Shares held in CCASS must be withdrawn from CCASS in accordance with the rules of CCASS and registered onto the Hong Kong Share Register before they can be removed to the Principal Share Register.

Withdrawal from and Deposit into CREST

Procedure for re-materializing Shares from Depositary Interests

If holders of Depositary Interests wish to move their Shares to the Hong Kong Share Register, they would first have to re-materialize their Shares. In order to do this, holders of Depositary Interests may request that the Depositary cancel the Depositary Interests held by them and transfer the underlying Shares represented by the Depositary Interests by giving the relevant stock withdrawal instruction through the CREST system. The relevant number of Shares are then transferred from the Depositary (or any custodian) to the person specified in the stock withdrawal transaction (and the principal share register is updated accordingly).

The process of re-materializing shares in the U.K. is initiated and carried out by CREST participants at the request of the relevant beneficial shareholder and is not controlled by the Company. The Company understands that once the CREST participant has input a valid message for stock withdrawal into the CREST system, it will normally be re-materialized within one business day.

Procedure for de-materializing Shares into Depositary Interests

If holders of Shares in certificated form registered on the Principal Share Register who are CREST members wish to hold Depositary Interests instead of holding physical share certificates, they can do so by submitting a stock deposit pursuant to CREST procedures. Holders of certificated Shares who are not CREST members, but would like to de-materialize their Shares, may do so by submitting a CREST transfer form.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of the Company or the Relevant Persons accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

MATERIAL DIFFERENCES BETWEEN THE LISTING RULES AND OVERSEAS RULES

Disclosure of Inside Information under the Listing Rules

Rule 2.07C(4)(a) of the Listing Rules provides that announcements and notices must not be published on the Stock Exchange's website between 8:30 a.m. and 12:00 noon and between 12:30 p.m. and 4:30 p.m. on a normal business day in Hong Kong. Rule 13.10A requires an issuer to apply for a trading halt or a trading suspension where an announcement of inside information cannot be made promptly.

Disclosure of Inside Information under the AIM Rules and MAR

Under the AIM Rules, the Company must issue a public announcement through a regulatory information service ("**RIS**") without delay of any new developments which are not public knowledge which, if made public, would be likely to lead to a significant movement in the price of its AIM securities ("**AIM PSI**"). In limited circumstances and subject to certain conditions specified under the AIM Rules, the Company may delay the public announcement of AIM PSI if the information relates to an impending development or a matter in the course of negotiation provided such information is kept confidential. Pursuant to the EU Market Abuse Regulation (as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018), the Company must notify an RIS as soon as possible of any inside information ("**MAR inside information**") with respect to the Company, save that such disclosure may be delayed under certain limited circumstances. Broadly, MAR inside information is precise, non-public information which, if it were made public, would be likely to have a significant effect on the price of the Company's shares or financial instruments. The Company is required to consider its AIM Rules and MAR disclosure obligations in conjunction with the advice and guidance of its AIM nominated adviser.

Announcements of AIM PSI and MAR PSI by AIM issuers are disseminated through an RIS such as the Regulatory News Service (RNS) which releases announcements during the core publishing hours of 7:00 a.m. to 6:30 p.m. Monday to Friday (excluding U.K. bank holidays) although it is also possible but uncommon to release announcements outside of the publishing hours of RIS through the delivery of the announcement to two national newspapers and two newswires services in accordance with the guidance of the U.K. Financial Conduct Authority. The London Stock Exchange and the U.K. Financial Conduct Authority do not impose any general restriction on the ability of AIM issuers to release regulatory announcements during U.K. trading hours. While the London Stock Exchange may allow in certain circumstances a suspension of the trading of AIM securities if the company cannot make an immediate notification in accordance with its disclosure obligations or is concerned that such notification may be insufficient to properly inform the market in accordance with the AIM Rules, according to guidance from the London Stock Exchange, these situations are rare and it is usually possible for a company to make the requisite announcement.

See "*Waivers and Exemption – Waiver in relation to the submission of announcements to the Stock Exchange and disclosure of inside information*."

Disclosure of Inside Information under the Nasdaq Rules

Under the Nasdaq Rules, except in unusual circumstances, the Company must disclose promptly to the public any material information that would reasonably be expected to affect the value of their securities or influence investors' decisions ("**Nasdaq PSI**"). Announcements of Nasdaq PSI on Nasdaq may be published at any time. While trading halts may be instituted to allow full dissemination of the Nasdaq PSI, a trading halt normally lasts one half hour, and only in infrequent cases would Nasdaq consider Nasdaq PSI to warrant a trading halt.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Jefferies Hong Kong Limited
China International Capital Corporation Hong Kong Securities Limited
Credit Suisse (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Macquarie Capital Limited
Deutsche Bank AG, Hong Kong Branch
BOCI Asia Limited
CMB International Capital Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 13,000,000 Hong Kong Offer Shares and the International Offering of initially 91,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "*Structure of the Global Offering*" as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 17, 2021. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the exercise of options granted under the Hutchmed Option Schemes and the exercise of the Warrant on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to

subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreements having been executed and becoming unconditional and not having been terminated in accordance with their terms.

Grounds for Termination

If any of the events set out below occur at any time at or prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion, terminate the Hong Kong Underwriting Agreement by giving notice to the Company:

(a) there shall have developed, occurred, existed or come into effect:

(i) any new law or regulation or any change in existing law, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom or the Cayman Islands (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a devaluation of the RMB against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or a series of events, in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), epidemic or pandemic, adverse mutation or aggravation of diseases, or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) the imposition or declaration of any suspension or material limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NYSE Amex, the Nasdaq or the London Stock Exchange (including AIM); or

(vi) the imposition or declaration of any suspension or material limitation (including any imposition of or requirement for any minimum or maximum price limit or price range) on trading in the Company's securities on the Nasdaq and/or AIM; or

(vii) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting any Relevant Jurisdiction or affecting an investment in the Offer Shares; or

(viii) the imposition or declaration of a general moratorium on, or any disruption in, commercial banking activities in any Relevant Jurisdiction, or any disruption in foreign exchange trading or securities settlement or clearance services in any Relevant Jurisdiction; or

(ix) any material litigation or claim being threatened or instigated against any member of the Group; or

(b) there has come to the notice of any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters:

(i) a valid prohibition by a competent authority on the Company for whatever reason from offering, allotting, issuing or selling (as the case may be) any of the Shares, or the listing and trading of the Shares on the Stock Exchange, pursuant to the terms of the Global Offering; or

(ii) any statement contained in this prospectus, the **GREEN** Application Form, the Formal Notice and/or any announcement issued or to be issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or misleading; or

(iii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom; or

(iv) any matter or event showing any of the warranties given by the Company in the Hong Kong Underwriting Agreement to be untrue or misleading in any respect when first given or repeated; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by it in the Hong Kong Underwriting Agreement; or

(vi) any breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement; or

(vii) any adverse change or prospective adverse change in the business or in the financial or trading position of the Group as a whole,

and which, in any such case in either paragraph (a) or paragraph (b) above, and in the judgment of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

A. has or will have or will be or is reasonably likely to have a material adverse effect on the success of the Global Offering; or

B. makes it impractical or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged under this prospectus; or

C. makes it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus,

and provided that in respect of any epidemic or pandemic, adverse mutation or aggravation of diseases existing at the date of the Hong Kong Underwriting Agreement referred to in paragraph (a)(iv) above, the Joint Global Coordinators shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with that paragraph if, in their opinion (after consultation with the Company), there has been a material escalation in any such epidemic or pandemic, adverse mutation or aggravation of diseases after the date of the Hong Kong Underwriting Agreement.

Undertakings by the Company

(A) Undertakings to the Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the

Listing Rules or (c) all or part of the STAR Listing Application Steps, pursuant to a waiver from strict compliance with Listing Rule 10.08, as further described in "*Waivers and Exemption – Waiver in relation to restriction on further issue of Shares by the Company*."

(B) Undertakings pursuant to the Hong Kong Underwriting Agreement

(a) The Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters not to, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other equity securities of the Company);

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or any other equity securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other equity securities of the Company);

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (a)(ii) or (a)(iii) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other equity securities of the Company or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of the Company will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the offer, allotment and issue of Shares (a) pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), (b) pursuant to the exercise of options granted under the Hutchmed Option Schemes, (c) pursuant to the exercise of the Warrant or (d) pursuant to all or part of

the STAR Listing Application Steps pursuant to a waiver from strict compliance with Listing Rule 10.08 as further described in "*Waivers and Exemption – Waiver in relation to restriction on further issue of Shares by the Company*".

(b) In the event that, at any time during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other equity securities of the Company.

(c) The Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that, until the expiry of the Second Six-Month Period, in accordance with Note (3) to Rule 10.07(2) of the Listing Rules, upon receiving information in writing from HHHL in respect of any pledge(s)/charge(s) of any securities beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), the Company will, as soon as practicable, notify the Stock Exchange and disclose such information by way of an announcement.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules and to a lock-up undertaking, each of the Controlling Shareholders has undertaken to each of the Stock Exchange, the Company and the Joint Global Coordinators (on behalf of the Underwriters) that, except pursuant to any lending of Shares or ADSs pursuant to the Stock Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of its holding of Shares and ADSs is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares and ADSs in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares and ADSs referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules and to a lock-up undertaking, each of the Controlling Shareholders has undertaken to each of the Stock Exchange, the Company and the Joint Global Coordinators (on behalf of the Underwriters) that, within the period commencing on the date by reference to which disclosure of its holding of Shares and ADSs is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(a) when it pledges or charges any Shares or ADSs beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares or ADSs so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or ADSs will be disposed of, immediately inform the Company of such indications.

Undertakings by Directors and Certain Members of Senior Management Pursuant to Lock-up Undertakings

The Directors and certain members of Senior Management, namely Mr. Mark Lee, Dr. May Wang and Dr. Zhenping Wu (each a "**Grantor**"), have each undertaken to the Joint Sponsors (as representatives of the Underwriters) that subject to certain limited exceptions, they will not, without the prior consent of the Joint Sponsors (as representatives of the Underwriters), directly or indirectly, from the date of the applicable lock-up agreement until the 90th day after the Listing Date, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the purchase of or otherwise dispose of or transfer any Shares or ADSs, or exercise any right with respect to the registration of such Shares or ADSs, or file or cause to be filed any registration statement in respect of such Shares or ADSs or enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such Shares or ADSs, whether any such swap or transaction is to be settled by delivery of Shares or ADSs or other securities, in cash or otherwise. The lock-up applies to Shares and ADSs and to securities convertible into or exchangeable or exercisable for Shares or ADSs. The lock up applies to Shares and ADSs owned at the date of the applicable lock-up agreement or acquired thereafter by each Grantor or for which such Grantor later acquires the power of disposition.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreements.

International Offering

International Underwriting Agreements

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreements with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreements and subject to the Over-allotment Option (granted to the International Underwriters under the U.S. Underwriting Agreement), the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreements may be terminated on similar grounds to the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreements are not entered into or terminated, the Global Offering will not proceed. See "*Structure of the Global Offering – The International Offering*."

Over-allotment Option

The Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 15,600,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "*Structure of the Global Offering – Over-allotment Option*" for further details.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an indicative Offer Price of HK$45.00 per Offer Share and the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$188.4 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$264.3 million (assuming an Offer Price of HK$45.00 per Offer Share (and the full payment of the discretionary incentive fee) and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "*Structure of the Global Offering*." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

104,000,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 13,000,000 Shares (subject to reallocation) in Hong Kong as described in "– *The Hong Kong Public Offering*" below; and

(b) the International Offering of initially 91,000,000 Shares (subject to reallocation and the Over-allotment Option) (i) pursuant to the shelf registration statement on Form F-3ASR that was filed with the SEC and became effective on April 6, 2020 (the "**Registered Offering**") and (ii) in respect of Shares sold to cornerstone investors, in reliance on Rule 901 of Regulation S under the U.S. Securities Act or pursuant to another exemption from the registration requirements of the U.S. Securities Act (the "**Exempt Offering**"), each as described in "– *The International Offering*" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 12.3% of the total number of Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, or 13.8% of the total number of Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is exercised in full, in each case without taking into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant after the Latest Practicable Date.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 13,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 12.5% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant after the Latest Practicable Date).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "– *Conditions of the Global Offering*" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B, with any odd board lot being allocated to Pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 6,500,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-applications in the Hong Kong Public Offering, and subject to satisfying the conditions for the grant of the waiver (see "*Waivers and Exemptions*" for details), the Joint Global Coordinators will apply an alternative clawback mechanism (the "**Alternative Clawback Mechanism**") following the closing of the application lists on the following basis:

a. 13,000,000 Offer Shares available in the Hong Kong Public Offering, representing approximately 12.5% of the Offer Shares initially available under the Global Offering;

b. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 12.5 times or more but less than 42.5 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 19,240,000 Offer Shares, representing 18.5% of the Offer Shares initially available under the Global Offering;

c. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 42.5 times or more but less than 85 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the

International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 25,480,000 Offer Shares, representing approximately 24.5% of the Offer Shares initially available under the Global Offering; and

d. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 85 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 50,440,000 Offer Shares, representing approximately 48.5% of the Offer Shares initially available under the Global Offering.

If the conditions for the waiver granted in relation to the Alternative Clawback Mechanism are not met, the clawback mechanism under Paragraph 4.2 of Practice Note 18 will be applied. In such a case, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times and (iii) 100 times or more of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 31,200,000 Offer Shares (in the case of (i)), 41,600,000 Offer Shares (in the case of (ii)) and 52,000,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (a) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed or (b) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 12.5 times of the total number of Offer Shares initially available under the Hong Kong Public Offering, then the Joint Global Coordinators may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to the Alternative Clawback Mechanism on the following conditions in accordance with Guidance Letter HKEX-GL91-18 (the "**Allocation Cap**"): the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. not more than 26,000,000 Offer Shares, representing 25% of the total number of Offer Shares initially available under the Global Offering).

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. The Allocation Cap is not triggered.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators, subject to the Alternative Clawback Mechanism and the Allocation Cap (as applicable).

Details of any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement which is expected to be published on Tuesday, June 29, 2021.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$45.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$22,726.74 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in "– *Pricing and Allocation*" below, is less than the Maximum Offer Price of HK$45.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "*How to Apply for Hong Kong Offer Shares*."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering of initially 91,000,000 Shares (subject to reallocation and the Over-allotment Option) shall include the Registered Offering and the Exempt Offering. The International Offering represents approximately 87.5% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 10.7% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant after the Latest Practicable Date).

Allocation

The International Offering will include marketing of Offer Shares in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– *Pricing and Allocation*" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "– *The Hong Kong Public Offering – Reallocation*" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters under the U.S. Underwriting Agreement, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 15,600,000 additional Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.8% of the total number of Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong, the United States and the United Kingdom. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions on the Stock Exchange with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) subscribing for, or agreeing to subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares acquired in the course of any action under paragraph (d) above in order to liquidate any position established by those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that, in relation to transactions effected on the Stock Exchange:

(a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Friday, July 23, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, Morgan Stanley & Co. International plc ("**MSI**") (or any person acting for it) may choose to borrow up to 15,600,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from HHHL, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between MSI and HHHL on or about the Price Determination Date.

If the Stock Borrowing Agreement with HHHL is entered into, the borrowing of Shares will only be effected by MSI (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, including the requirement that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to HHHL or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to HHHL by MSI in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The Company will determine the pricing for the Offer Shares for the purpose of the various offerings under the Global Offering on the Price Determination Date, by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter. The Price Determination Date is expected to be on or about Wednesday, June 23, 2021 and, in any event, no later than Tuesday, June 29, 2021.

We will determine the Offer Price by reference to, among other factors, the closing trading prices of the ADSs on Nasdaq and Shares on AIM on the last trading day on or before the Price Determination Date (which are accessible to the Shareholders and potential investors at **https://www.nasdaq.com/market-activity/stocks/hcm** and **https://www.londonstockexchange.com/stock/HCM/hutchmed-china-limited/company-page**), and the Offer Price will not be more than HK$45.00 per Hong Kong Offer Share, the Maximum Offer Price. The historical prices of the ADSs and Shares and trading volume on the Nasdaq and AIM are set out below.

Period	High		Low		ADTV (million Shares)[1]	
	Nasdaq (US$)	AIM (GBP)	Nasdaq (US$)	AIM (GBP)	Nasdaq	AIM
Financial Year 2020	34.61	5.28	15.19	2.58	0.24	0.08
Financial Year 2021 (up to the Latest Practicable Date)	36.80	5.24	27.01	3.90	0.25	0.08

Note:

(1) Average daily trading volume ("**ADTV**") represents daily average number of the Shares traded over the relevant period on the relevant stock exchange.

Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$45.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK$22,726.74 for one board lot of 500 Shares.

The Company reserves the right not to proceed with the Hong Kong Public Offering or the International Offering on or at any time until the Price Determination Date if, for any reason, including as a result of volatility in the price of the ADSs and/or the Shares or other changes in market conditions, the Company does not agree with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Offer Price by Tuesday, June 29, 2021.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Hong Kong Stock Exchange at **www.hutch-med.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares will be final and conclusive.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

Announcement of Final Offer Price

The Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in *"How to Apply for Hong Kong Offer Shares – Publication of Results."*

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company agreeing on the Offer Price on the Price Determination Date.

The Company expects to enter into the U.S. Underwriting Agreement relating to the Registered Offering on the Price Determination Date.

The Company expects to enter into the Exempt Offering Underwriting Agreement relating to the Exempt Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "*Underwriting*."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the exercise of options granted under the Hutchmed Option Schemes and the exercise of the Warrant on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company;

(c) the execution and delivery of the International Underwriting Agreements on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on or before Tuesday, June 29, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse and on the websites of the Company and the Stock Exchange at **www.hutch-med.com** and **www.hkexnews.hk**, respectively. In such a situation, all application monies will be returned, without interest, on the terms set out in "*How to Apply for Hong Kong Offer Shares – Refund of Application Monies*". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, June 30, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, June 30, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, June 30, 2021.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 13.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

The Company has adopted a fully electronic application process for the Hong Kong Public Offering. The Company will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and the website of the Company at **www.hutch-med.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

Set out below are the procedures through which you can apply for the Hong Kong Offer Shares electronically. The Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of the Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8646 from 9:00 a.m. to 9:00 p.m. on Friday, June 18, 2021, Monday, June 21, 2021 and Tuesday, June 22, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, June 19, 2021 and Sunday, June 20, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, June 23, 2021.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

The Company will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or
- apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the **GREEN** Application Form and agree to be bound by them;

(d) confirm that you have read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of the Company, the Relevant Persons and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the **GREEN** Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) if in the United Kingdom, represent, warrant and undertake that you and any person for whose benefit you are applying for the Hong Kong Offer Shares are persons who are qualified investors as defined in article 2(e) of Regulation (EU) 2017/1129 (as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018) who also (a) have professional experience in matters relating to investments who fall within Article 19(5) (investment professionals) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Order or (b) are persons to whom the Hong Kong Offer Shares may otherwise be lawfully offered under such Order;

(n) warrant that the information you have provided is true and accurate;

(o) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(p) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– *Personal Collection*" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(r) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the **GREEN** Application Form or give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK$
500	22,726.74	20,000	909,069.30	350,000	15,908,712.75
1,000	45,453.47	25,000	1,136,336.63	400,000	18,181,386.00
1,500	68,180.20	30,000	1,363,603.95	450,000	20,454,059.25
2,000	90,906.93	35,000	1,590,871.28	500,000	22,726,732.50
2,500	113,633.67	40,000	1,818,138.60	600,000	27,272,079.00
3,000	136,360.40	45,000	2,045,405.93	700,000	31,817,425.50
3,500	159,087.13	50,000	2,272,673.25	800,000	36,362,772.00
4,000	181,813.86	60,000	2,727,207.90	900,000	40,908,118.50
4,500	204,540.60	70,000	3,181,742.55	1,000,000	45,453,465.00
5,000	227,267.33	80,000	3,636,277.20	2,000,000	90,906,930.00
6,000	272,720.79	90,000	4,090,811.85	3,000,000	136,360,395.00
7,000	318,174.26	100,000	4,545,346.50	4,000,000	181,813,860.00
8,000	363,627.72	150,000	6,818,019.75	5,000,000	227,267,325.00
9,000	409,081.19	200,000	9,090,693.00	6,500,000(1)	295,447,522.50
10,000	454,534.65	250,000	11,363,366.25		
15,000	681,801.98	300,000	13,636,039.50		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in "– *Who Can Apply*" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8646 which is available from 9:00 a.m. to 9:00 p.m. on Friday, June 18, 2021, Monday, June 21, 2021 and Tuesday, June 22, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, June 19, 2021 and Sunday, June 20, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, June 23, 2021.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, June 18, 2021 until 11:30 a.m. on Wednesday, June 23, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 23, 2021, the last day for applications, or such later time as described in "– *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "HUTCHMED (China) Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor **your electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

Friday, June 18, 2021 – 9:00 a.m. to 8:30 p.m.
Monday, June 21, 2021 – 8:00 a.m. to 8:30 p.m.
Tuesday, June 22, 2021 – 8:00 a.m. to 8:30 p.m.
Wednesday, June 23, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 18, 2021 until 12:00 noon on Wednesday, June 23, 2021 (24 hours daily, except on Wednesday, June 23, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, June 23, 2021, the last day for applications, or such later time as described in "– *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or the Company's agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's register of members;
- verifying identities of the holders of the Shares;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and the subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge the Company's or their obligations to holders of the Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bank and overseas principal share registrar;

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;

- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and *holders* of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "*Corporate Information*" in this prospectus or as notified from time to time, for the attention of the secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through **the White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK$45.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK$22,726.74.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the **GREEN** Application Form.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section "– *Minimum Application Amount and Permitted Numbers*".

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "*Structure of the Global Offering – Pricing and Allocation*."

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 23, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, June 23, 2021 or if there is/are a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "*Expected Timetable*," an announcement will be made.

D. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price on, Wednesday, June 23, 2021 on the websites of the Company at **www.hutch-med.com** and the Stock Exchange at **www.hkexnews.hk**.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, June 29, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.hutch-med.com** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at **www.hutch-med.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Tuesday, June 29, 2021;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Tuesday, June 29, 2021 to 12:00 midnight on Monday, July 5, 2021; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, June 29, 2021, Wednesday, June 30, 2021, Friday, July 2, 2021 and Monday, July 5, 2021.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "*Structure of the Global Offering*."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

(ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons,

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

- you apply for more than 6,500,000 Hong Kong Offer Shares, being approximately 50% of the 13,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;

- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "*Structure of the Global Offering – Conditions of the Global Offering*" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded in the form of e-Refund payment instructions or refund cheques, without interest or the cheque or banker's cashier order will not be cleared.

Part of your Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. Banks may require verification of your or your joint applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of your or your joint applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Any refund of your application monies will be made on or before Tuesday, June 29, 2021.

G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Tuesday, June 29, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, June 30, 2021, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

If you apply through White Form eIPO service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 29, 2021, or any other place or date notified by the Company in the newspapers as the date of dispatch or collection of Share certificates.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, June 29, 2021 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(c) ***If you apply through CCASS EIPO service:***

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, June 29, 2021 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "– *Publication of Results*" above on Tuesday, June 29, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 29, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, June 29, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, June 29, 2021.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUTCHMED (CHINA) LIMITED AND MORGAN STANLEY ASIA LIMITED, JEFFERIES HONG KONG LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of HUTCHMED (China) Limited (formerly known as Hutchison China MediTech Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-63, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020, the company balance sheets as at December 31, 2018, 2019 and 2020, and the consolidated statements of operations, the consolidated statements of comprehensive loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 18, 2021 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note II.3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
*T: +852 2289 8888, F: +852 2810 9888, **www.pwchk.com***

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note II.3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018, 2019 and 2020 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note II.3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 31 to the Historical Financial Information which states that no dividends have been paid by HUTCHMED (China) Limited in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 18, 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Company and its subsidiaries for the Track Record Period ("Historical Financial Statements") after making additional disclosures for the purpose of this report. The previously issued consolidated financial statements of the Group were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). They were audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and were published on the website of the Securities and Exchange Commission of the United States pursuant to the regulatory requirement as set out in Rule 101(a) of Regulation S-T.

The Historical Financial Information is presented in U.S. dollars ("US$") and all values are rounded to the nearest thousand US$'000 except when otherwise indicated.

HUTCHMED (China) Limited
Consolidated Balance Sheets
(in US$'000, except share data)

	Note	December 31, 2018	2019	2020
Assets				
Current assets				
Cash and cash equivalents	5	86,036	121,157	235,630
Short-term investments	6	214,915	96,011	199,546
Accounts receivable – third parties	7	40,176	41,410	46,648
Accounts receivable – related parties	23(ii)	2,782	1,844	1,222
Other receivables, prepayments and deposits	8	13,434	15,769	26,786
Amounts due from related parties	23(ii)	889	24,623	1,142
Inventories	9	12,309	16,208	19,766
Total current assets		**370,541**	**317,022**	**530,740**
Property, plant and equipment	10	16,616	20,855	24,170
Right-of-use assets	11	–	5,516	8,016
Deferred tax assets	24(ii)	580	815	1,515
Investments in equity investees	12	138,318	98,944	139,505
Amount due from a related party	23(ii)	–	16,190	–
Other non-current assets	13	6,063	5,780	20,172
Total assets		**532,118**	**465,122**	**724,118**
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	14	25,625	23,961	31,612
Other payables, accruals and advance receipts	15	56,327	81,624	120,882
Lease liabilities	11	–	3,216	2,785
Income tax payable	24(iii)	555	1,828	1,120
Deferred revenue	20	2,540	2,106	1,597
Amounts due to a related party	23(ii)	432	366	401
Total current liabilities		**85,479**	**113,101**	**158,397**
Lease liabilities	11	–	3,049	6,064
Deferred tax liabilities	24(ii)	4,836	3,158	5,063
Long-term bank borrowings	16	26,739	26,818	26,861
Deferred revenue	20	408	133	484
Other non-current liabilities		2,401	5,960	8,300
Total liabilities		**119,863**	**152,219**	**205,169**
Commitments and contingencies	17			
Company's shareholders' equity				
Ordinary shares; $0.10 par value; 1,500,000,000 shares authorized; 666,577,450 and 666,906,450 and 727,722,215 shares issued at December 31, 2018, 2019 and 2020 respectively	18	66,658	66,691	72,772
Additional paid-in capital		505,585	514,904	822,458
Accumulated losses		(183,004)	(289,734)	(415,591)
Accumulated other comprehensive (loss)/income		(243)	(3,849)	4,477
Total Company's shareholders' equity		**388,996**	**288,012**	**484,116**
Non-controlling interests		23,259	24,891	34,833
Total shareholders' equity		**412,255**	**312,903**	**518,949**
Total liabilities and shareholders' equity		**532,118**	**465,122**	**724,118**

HUTCHMED (China) Limited
Consolidated Statements of Operations
(in US$'000, except share and per share data)

	Note	Year Ended December 31, 2018	2019	2020
Revenues				
Goods				
– third parties		156,234	175,990	203,606
– related parties	23(i)	8,306	7,637	5,484
Services				
– commercialization – third parties		11,660	2,584	3,734
– collaboration research and development – third parties		17,681	15,532	9,771
– research and development – related parties	23(i)	7,832	494	491
Other collaboration revenue				
– royalties – third parties		261	2,653	4,890
– licensing – third parties		12,135	–	–
Total revenues	20	**214,109**	**204,890**	**227,976**
Operating expenses				
Costs of goods – third parties		(129,346)	(152,729)	(178,828)
Costs of goods – related parties		(5,978)	(5,494)	(3,671)
Costs of services – commercialization – third parties		(8,620)	(1,929)	(6,020)
Research and development expenses	21	(114,161)	(138,190)	(174,776)
Selling expenses		(17,736)	(13,724)	(11,334)
Administrative expenses		(30,909)	(39,210)	(50,015)
Total operating expenses		**(306,750)**	**(351,276)**	**(424,644)**
		(92,641)	**(146,386)**	**(196,668)**
Other income/(expense)				
Interest income	26	5,978	4,944	3,236
Other income		1,798	1,855	4,600
Interest expense	26	(1,009)	(1,030)	(787)
Other expense		(781)	(488)	(115)
Total other income/(expense)		**5,986**	**5,281**	**6,934**
Loss before income taxes and equity in earnings of equity investees		**(86,655)**	**(141,105)**	**(189,734)**
Income tax expense	24(i)	(3,964)	(3,274)	(4,829)
Equity in earnings of equity investees, net of tax	12	19,333	40,700	79,046
Net loss		(71,286)	(103,679)	(115,517)
Less: Net income attributable to non-controlling interests		(3,519)	(2,345)	(10,213)
Net loss attributable to the Company		**(74,805)**	**(106,024)**	**(125,730)**
Losses per share attributable to the Company – basic and diluted (US$ per share)	25	(0.11)	(0.16)	(0.18)
Number of shares used in per share calculation – basic and diluted	25	664,263,820	665,683,145	697,931,437

HUTCHMED (China) Limited
Consolidated Statements of Comprehensive Loss
(in US$'000)

	Year Ended December 31,		
	2018	**2019**	**2020**
Net loss	**(71,286)**	**(103,679)**	**(115,517)**
Other comprehensive (loss)/income			
Foreign currency translation (loss)/gain	(6,626)	(4,331)	9,530
Total comprehensive loss	**(77,912)**	**(108,010)**	**(105,987)**
Less: Comprehensive income attributable to non-controlling interests	(2,566)	(1,620)	(11,413)
Total comprehensive loss attributable to the Company	**(80,478)**	**(109,630)**	**(117,400)**

HUTCHMED (China) Limited
Consolidated Statements of Changes in Shareholders' Equity
(in US$'000, except share data in'000)

	Ordinary Shares Number	Ordinary Shares Value	Additional Paid-in Capital	Accumulated Losses	Accumulated Other Comprehensive Income/(Loss)	Total Company's Shareholders' Equity	Non-controlling Interests	Total Shareholders' Equity
As at January 1, 2018	**664,470**	**66,447**	**496,960**	**(108,184)**	**5,430**	**460,653**	**23,230**	**483,883**
Net (loss)/income	–	–	–	(74,805)	–	(74,805)	3,519	(71,286)
Issuances in relation to share option exercises	2,107	211	2,952	–	–	3,163	–	3,163
Share-based compensation								
Share options	–	–	7,885	–	–	7,885	18	7,903
Long-term incentive plan ("LTIP")	–	–	3,224	–	–	3,224	9	3,233
	–	–	11,109	–	–	11,109	27	11,136
LTIP – treasury shares acquired and held by Trustee	–	–	(5,451)	–	–	(5,451)	–	(5,451)
Dividend declared to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	(2,564)	(2,564)
Transfer between reserves	–	–	15	(15)	–	–	–	–
Foreign currency translation adjustments	–	–	–	–	(5,673)	(5,673)	(953)	(6,626)
As at December 31, 2018	**666,577**	**66,658**	**505,585**	**(183,004)**	**(243)**	**388,996**	**23,259**	**412,255**
Impact of change in accounting policy (Note 3)	–	–	–	(655)	–	(655)	(16)	(671)
As at January 1, 2019	**666,577**	**66,658**	**505,585**	**(183,659)**	**(243)**	**388,341**	**23,243**	**411,584**
Net (loss)/income	–	–	–	(106,024)	–	(106,024)	2,345	(103,679)
Issuances in relation to share option exercises	329	33	218	–	–	251	–	251
Share-based compensation								
Share options	–	–	7,157	–	–	7,157	16	7,173
LTIP	–	–	2,239	–	–	2,239	12	2,251
	–	–	9,396	–	–	9,396	28	9,424
LTIP – treasury shares acquired and held by Trustee	–	–	(346)	–	–	(346)	–	(346)
Transfer between reserves	–	–	51	(51)	–	–	–	–
Foreign currency translation adjustments	–	–	–	–	(3,606)	(3,606)	(725)	(4,331)
As at December 31, 2019	**666,906**	**66,691**	**514,904**	**(289,734)**	**(3,849)**	**288,012**	**24,891**	**312,903**
Net (loss)/income	–	–	–	(125,730)	–	(125,730)	10,213	(115,517)
Issuance in relation to public offering	23,669	2,366	115,975	–	–	118,341	–	118,341
Issuances in relation to private investment in public equity ("PIPE")	36,667	3,667	196,333	–	–	200,000	–	200,000
Issuance costs	–	–	(8,317)	–	–	(8,317)	–	(8,317)
Issuances in relation to share option exercises	480	48	545	–	–	593	–	593
Share-based compensation								
Share options	–	–	8,727	–	–	8,727	10	8,737
LTIP	–	–	7,203	–	–	7,203	16	7,219
	–	–	15,930	–	–	15,930	26	15,956
LTIP – treasury shares acquired and held by Trustee	–	–	(12,904)	–	–	(12,904)	–	(12,904)
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	(1,462)	(1,462)
Purchase of additional interests in a subsidiary of an equity investee (Note 12)	–	–	(52)	(83)	(4)	(139)	(35)	(174)
Transfer between reserves	–	–	44	(44)	–	–	–	–
Foreign currency translation adjustments	–	–	–	–	8,330	8,330	1,200	9,530
As at December 31, 2020	**727,722**	**72,772**	**822,458**	**(415,591)**	**4,477**	**484,116**	**34,833**	**518,949**

HUTCHMED (China) Limited
Consolidated Statements of Cash Flows
(in US$'000)

	Note	Year Ended December 31, 2018	2019	2020
Net cash used in operating activities	27	(32,847)	(80,912)	(62,066)
Investing activities				
Purchases of property, plant and equipment		(6,364)	(8,565)	(7,949)
Purchase of leasehold land	13	–	–	(11,631)
Payment on leasehold land deposit	13	–	–	(2,326)
Deposits in short-term investments		(903,551)	(478,140)	(732,908)
Proceeds from short-term investments		961,667	597,044	629,373
Purchase of a subsidiary company		–	(8,080)	–
Cash acquired in purchase of a subsidiary company		–	16,769	–
Investment in an equity investee		(8,000)	–	–
Net cash generated from/(used in) investing activities		43,752	119,028	(125,441)
Financing activities				
Proceeds from issuance of ordinary shares		3,868	251	318,934
Purchases of treasury shares	19(ii)	(5,451)	(346)	(12,904)
Dividends paid to non-controlling shareholders of subsidiaries		(1,282)	(1,282)	(1,462)
Repayment of loan to a non-controlling shareholder of a subsidiary		(1,550)	–	–
Proceeds from bank borrowings		26,923	26,807	–
Repayment of bank borrowings		(30,000)	(26,923)	–
Payment of issuance costs		(739)	–	(8,134)
Net cash (used in)/generated from financing activities		(8,231)	(1,493)	296,434
Net increase in cash and cash equivalents		2,674	36,623	108,927
Effect of exchange rate changes on cash and cash equivalents		(1,903)	(1,502)	5,546
		771	35,121	114,473
Cash and cash equivalents				
Cash and cash equivalents at beginning of year		85,265	86,036	121,157
Cash and cash equivalents at end of year		86,036	121,157	235,630
Supplemental disclosure for cash flow information				
Cash paid for interest		979	917	815
Cash paid for tax, net of refunds	24(iii)	3,752	3,249	5,940
Supplemental disclosure for non-cash activities				
Increase/(decrease) in accruals made for purchases of property, plant and equipment		138	1,068	(57)
Accrual made for purchase of leasehold land	13	–	–	355
Vesting of treasury shares for LTIP	19(ii)	731	944	4,828

HUTCHMED (China) Limited
Company Balance Sheets (parent company only)
(in US$'000, except share data)

	Note	December 31, 2018	2019	2020
Assets				
Current assets				
Cash and cash equivalents		46	44	21
Other receivables, prepayments and deposits		627	581	803
Amounts due from subsidiaries	30	239,586	161,512	–
Amounts due from related parties		76	317	317
Total current assets		**240,335**	**162,454**	**1,141**
Investments in subsidiaries	2	153,567	133,825	506,150
Deferred issuance costs		–	180	1,171
Total assets		**393,902**	**296,459**	**508,462**
Liabilities and shareholders' equity				
Current liabilities				
Other payables, accruals and advance receipts		4,527	8,294	12,811
Income tax payable		143	116	93
Amounts due to subsidiaries	30	–	–	11,416
Amounts due to related parties		50	5	26
Total current liabilities		**4,720**	**8,415**	**24,346**
Other deferred income		186	32	–
Total liabilities		**4,906**	**8,447**	**24,346**
Commitments and contingencies	17			
Company's shareholders' equity				
Ordinary shares; $0.10 par value; 1,500,000,000 shares authorized; 666,577,450 and 666,906,450 and 727,722,215 shares issued at December 31, 2018, 2019 and 2020 respectively	18	66,658	66,691	72,772
Additional paid-in capital		505,585	514,904	822,458
Accumulated losses		(183,004)	(289,734)	(415,591)
Accumulated other comprehensive (loss)/income		(243)	(3,849)	4,477
Total Company's shareholders' equity		**388,996**	**288,012**	**484,116**
Total liabilities and shareholders' equity		**393,902**	**296,459**	**508,462**

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Business

HUTCHMED (China) Limited (formerly Hutchison China MediTech Limited) (the "Company") and its subsidiaries (together the "Group") are principally engaged in researching, developing, manufacturing and marketing pharmaceutical products. The Group and its equity investees have research and development facilities and manufacturing plants in the People's Republic of China (the "PRC") and sell their products mainly in the PRC, including Hong Kong. In addition, the Group has established international operations in the United States of America (the "U.S.") and Europe.

The Company was incorporated in the Cayman Islands on December 18, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision), Chapter 22 of the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's ordinary shares are listed on the AIM market of the London Stock Exchange, and its American depositary shares ("ADSs"), each representing five ordinary shares, are traded on the Nasdaq Global Select Market.

Liquidity

As at December 31, 2020, the Group had accumulated losses of US$415,591,000 primarily due to its spending in drug research and development activities. The Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long term. As at December 31, 2020, the Group had cash and cash equivalents of US$235,630,000, short-term investments of US$199,546,000 and unutilized bank borrowing facilities of US$69,359,000. Short-term investments comprised of bank deposits maturing over three months. The Group's operating plan includes the continued receipt of dividends from certain of its equity investees.

Based on the Group's operating plan, the existing cash and cash equivalents, short-term investments and unutilized bank borrowing facilities are considered to be sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months (the look-forward period used).

2. Particulars of Principal Subsidiaries and Equity Investees

Name	Place of establishment and operations	Equity interest attributable to the Group, December 31, 2018	2019	2020	Principal activities
Subsidiaries					
Hutchison MediPharma Limited ("HMPL")	PRC	99.75%	99.75%	99.75%	Research, development, manufacture and commercialization of pharmaceutical products
HUTCHMED International Corporation (formerly Hutchison MediPharma International Inc.)	U.S.	99.75%	99.75%	99.75%	Provision of professional, scientific and technical support services
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited ("Hutchison Sinopharm") (note (a))	PRC	51%	50.87%	50.87%	Provision of sales, distribution and marketing services to pharmaceutical manufacturers

Name	Place of establishment and operations	Equity interest attributable to the Group December 31, 2018	2019	2020	Principal activities
Hutchison Hain Organic (Hong Kong) Limited ("HHOL") (note (b))	Hong Kong	50%	50%	50%	Wholesale and trading of healthcare and consumer products
Hutchison Healthcare Limited ("Hutchison Healthcare")	PRC	100%	100%	100%	Manufacture and distribution of healthcare products
Hutchison Consumer Products Limited ("HCP")	Hong Kong	100%	100%	100%	Wholesale and trading of healthcare and consumer products
Equity investees					
Shanghai Hutchison Pharmaceuticals Limited ("SHPL")	PRC	50%	50%	50%	Manufacture and distribution of prescription drug products
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") (note (c))	PRC	40%	40%	40%	Manufacture and distribution of over-the-counter drug products

Notes:

(a) In November 2019, a subsidiary of the Group transferred its 51% shareholding in Hutchison Sinopharm to HMPL. Afterwards, the effective equity interest of the Group in Hutchison Sinopharm changed from 51% to 50.87%.

(b) HHOL is regarded as a subsidiary of the Company, as while both its shareholders have equal representation at the board, in the event of a deadlock, the Group has a casting vote and is therefore able to unilaterally control the financial and operating policies of HHOL.

(c) The 50% equity interest in HBYS is held by an 80% owned subsidiary of the Group. The effective equity interest of the Group in HBYS is therefore 40% for the Track Record Period.

The statutory financial statements of Hong Kong principal subsidiaries for the years ended December 31, 2018, 2019 and 2020 were prepared under Hong Kong Financial Reporting Standards and were audited by PricewaterhouseCoopers, certified public accountants registered in Hong Kong. The statutory financial statements of PRC principal subsidiaries for the years ended December 31, 2018, 2019 and 2020 were prepared under generally accepted accounting principles in the PRC ("PRC GAAP") and were audited by PricewaterhouseCoopers Zhong Tian LLP, certified public accountants registered in the PRC.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

Basis of Preparation

The Historical Financial Information of the Company has been prepared in accordance with U.S. GAAP. The Historical Financial Information has been prepared under the historical cost convention.

Principles of Consolidation

The accompanying Historical Financial Information reflects the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. Investments in equity investees over which the Group has significant influence are accounted for using the equity method. All inter-company balances and transactions have been eliminated in consolidation. Unrealized gains or losses on transactions between the Group and its equity investees are eliminated to the extent of the Group's interest in the entities.

Use of Estimates

The preparation of Historical Financial Information in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Historical Financial Information and the reported amounts of revenues and expenses during the reporting period.

Foreign Currency Translation

The Company's presentation currency is the U.S. dollar ("US$"). The financial statements of the Company and its subsidiaries with a functional currency other than the US$ have been translated into the Company's presentation currency. All assets and liabilities of the subsidiaries are translated using year-end exchange rates and revenues and expenses are translated at average exchange rates for the year. Translation adjustments are reflected in accumulated other comprehensive (loss)/income in shareholders' equity.

Net foreign exchanges losses of US$233,000 and net foreign currency exchange gains of US$246,000 and US$3,265,000 were recorded in other income and other expense in the consolidated statements of operations for the years ended December 31, 2018, 2019 and 2020 respectively.

Cash and Cash Equivalents

The Group considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of cash on hand and bank deposits and are stated at cost, which approximates fair value.

Short-term Investments

Short-term investments include deposits placed with banks with original maturities of more than three months but less than one year.

Concentration of Credit Risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable, other receivables and amounts due from related parties.

The Group places substantially all of its cash and cash equivalents and short-term investments in major financial institutions, which management believes are of high credit quality. The Group has a practice to limit the amount of credit exposure to any particular financial institution.

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collateral from trade debtors.

Foreign Currency Risk

The Group's operating transactions and its assets and liabilities in the PRC are mainly denominated in Renminbi ("RMB"), which is not freely convertible into foreign currencies. The Group's cash and cash equivalents denominated in RMB are subject to government controls. The value of the RMB is subject to fluctuations from central government policy changes and international economic and political developments that affect the supply and demand of RMB in the foreign exchange market. In the PRC, certain foreign exchange transactions are required by law to

be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through the PBOC or other PRC foreign exchange regulatory bodies which require certain supporting documentation in order to complete the remittance.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from customers based on their outstanding invoices. The allowance for credit losses reflects the Group's current estimate of credit losses expected to be incurred over the life of the receivables. The Group considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of the accounts and aging trends, the historical level of charge-offs, and specific exposures related to particular customers. The Group also monitors other risk factors and forward-looking information, such as country risk, when determining credit limits for customers and establishing adequate allowances for credit losses. Accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. A provision for excess and obsolete inventory will be made based primarily on forecasts of product demand and production requirements. The excess balance determined by this analysis becomes the basis for excess inventory charge and the written-down value of the inventory becomes its cost. Written-down inventory is not written up if market conditions improve.

Property, Plant and Equipment

Property, plant and equipment consist of buildings, leasehold improvements, plant and equipment, furniture and fixtures, other equipment and motor vehicles. Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets.

Buildings	20 years
Plant and equipment	5-10 years
Furniture and fixtures, other equipment and motor vehicles	4-5 years
Leasehold improvements	Shorter of (a) 5 years or (b) remaining term of lease

Additions and improvements that extend the useful life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Group evaluates the recoverability of long-lived assets in accordance with authoritative guidance on accounting for the impairment or disposal of long-lived assets. The Group evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. If indicators of impairment exist, the first step of the impairment test is performed to assess if the carrying value of the net assets exceeds the undiscounted cash flows of the assets. If yes, the second step of the impairment test is performed in order to determine if the carrying value of the net assets exceeds the fair value. If yes, impairment is recognized for the excess.

Leasehold Land

Leasehold land represents fees paid to acquire the right to use the land on which various plants and buildings are situated for a specified period of time from the date the respective right was granted and are stated at cost less accumulated amortization and impairment loss, if any. Amortization is computed using the straight-line basis over the lease period of 50 years.

Goodwill

Goodwill represents the excess of the purchase price plus fair value of non-controlling interests over the fair value of identifiable assets and liabilities acquired. Goodwill is not amortized, but is tested for impairment at the reporting unit level on at least an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. When performing an evaluation of goodwill impairment, the Group has the option to first assess qualitative factors, such as significant events and changes to expectations and activities that may have occurred since the last impairment evaluation, to determine if it is more likely than not that goodwill might be impaired. If as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative fair value test is performed to determine if the fair value of the reporting unit exceeds its carrying value.

The Group's goodwill during the Track Record Period consisted of two components: (i) goodwill attributable to Hutchison Sinopharm of US$2.8 million, US$2.7 million and US$2.9 million as of December 31, 2018, 2019 and 2020 respectively, and (ii) goodwill attributable to Hutchison Healthcare of US$0.4 million as of December 31, 2018, 2019 and 2020, both under the Other Ventures segment. The Group completed the annual impairment evaluation of each component and concluded that no impairment of goodwill was necessary during the Track Record Period.

Hutchison Sinopharm – The Group performed a quantitative analysis of Hutchison Sinopharm's fair value using five-year cash flow projections based on estimated average annual revenue growth rates not exceeding 11.9%, 6.2% and 18.8% for the years ended December 31, 2018, 2019 and 2020, respectively, and estimated post-tax discount rates of 15.7%, 14.0% and 13.0% for the years ended December 31, 2018, 2019 and 2020, respectively. Based on this analysis, the headroom between the fair value and carrying value of Hutchison Sinopharm was approximately US$5.0 million, US$7.1 million and US$51.1 million as of December 31, 2018, 2019 and 2020, respectively. Neither decreasing the estimated average annual revenue growth rate by 1% nor increasing the estimated post-tax discount rate by 1% would have resulted in impairment of goodwill. The headroom would decrease to US$47.3 million (2018: US$2.3 million, 2019: US$5.3 million) with a 1% decrease in the estimated average annual revenue growth rate or to US$43.9 million (2018: US$3.0 million, 2019: US$4.1 million) with a 1% increase in the estimated post-tax discount rate. A 15.9% decrease (2018: 1.9%, 2019: 4.0%) in the estimated average annual revenue growth rate and a 18.3% increase (2018: 2.9%, 2019: 2.7%) in the estimated post-tax discount rate, each taken in isolation, would remove the remaining headroom.

Hutchison Healthcare – The Group performed a quantitative analysis of Hutchison Healthcare's fair value using five-year cash flow projections based on estimated average annual revenue growth rates not exceeding 14.0%, 10.0% and 10.0% for the years ended December 31, 2018, 2019 and 2020, respectively, and estimated post-tax discount rates of 15.7%, 14.0% and 13.0% for the years ended December 31, 2018, 2019 and 2020, respectively. Based on this analysis, the headroom between fair value and carrying value of Hutchison Healthcare was US$5.4 million, US$11.9 million and US$3.5 million as of December 31, 2018, 2019 and 2020, respectively. Neither decreasing the estimated average annual revenue growth rate by 1% nor increasing the estimated post-tax discount rate by 1% would have resulted in impairment of goodwill. The headroom would decrease to US$2.6 million (2018: US$4.6 million, 2019: US$10.3 million) with a 1% decrease in the estimated average annual revenue growth rate or to US$2.9 million (2018: US$4.8 million, 2019: US$10.4 million) with a 1% increase in the estimated post-tax discount rate. A 4.0% decrease (2018: 7.0%, 2019: 8.5%) in the estimated average annual revenue growth rate and a 10.8% increase (2018: 29.5%, 2019: 25.4%) in the estimated post-tax discount rate, each taken in isolation, would remove the remaining headroom.

Other Intangible Asset

Other intangible asset represents a good supply practice license with a finite useful life and is carried at cost less accumulated amortization and impairment loss, if any. Amortization is computed using the straight-line basis over the estimated useful life of 10 years, which was the expected license and renewal period upon acquisition.

Borrowings

Borrowings are recognized initially at fair value, net of debt issuance costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of debt issuance costs) and the redemption value is recognized in the consolidated statements of operations over the period of the borrowings using the effective interest method.

Ordinary Shares

The Company's ordinary shares are stated at par value of US$0.10 per ordinary share. The difference between the consideration received, net of issuance cost, and the par value is recorded in additional paid-in capital.

Treasury Shares

The Group accounts for treasury shares under the cost method. The treasury shares are purchased for the purpose of the LTIP and held by a trustee appointed by the Group (the "Trustee") prior to vesting.

Share-Based Compensation

Share options

The Group recognizes share-based compensation expense on share options granted to employees and directors based on their estimated grant date fair value using the Polynomial model. This Polynomial pricing model uses various inputs to measure fair value, including estimated market value of the Company's underlying ordinary shares at the grant date, contractual terms, estimated volatility, risk-free interest rates and expected dividend yields. The Group recognizes share-based compensation expense in the consolidated statements of operations on a graded vesting basis over the requisite service period, and accounts for forfeitures as they occur.

Share options are classified as equity-settled awards. Share-based compensation expense, when recognized, is charged to the consolidated statements of operations with the corresponding entry to additional paid-in capital.

LTIP

The Group recognizes the share-based compensation expense on the LTIP awards based on a fixed or determinable monetary amount on a straight-line basis for each annual tranche awarded over the requisite period. For LTIP awards with performance targets, prior to their determination date, the amount of LTIP awards that is expected to vest takes into consideration the achievement of the performance conditions and the extent to which the performance conditions are likely to be met. Performance conditions vary by awards, including targets for shareholder returns, free cash flows, revenues, net profit after taxes and/or the achievement of clinical and regulatory milestones.

These LTIP awards are classified as liability-settled awards before the determination date (i.e. the date when the achievement of any performance conditions are known), as they settle in a variable number of shares based on a determinable monetary amount, which is determined upon the actual achievement of performance targets. As the extent of achievement of the performance targets is uncertain prior to the determination date, a probability based on management's assessment of the achievement of the performance targets has been assigned to calculate the amount to be recognized as an expense over the requisite period.

After the determination date or if the LTIP awards have no performance conditions, the LTIP awards are classified as equity-settled awards. If the performance target is achieved, the Group will pay the determined monetary amount to the Trustee to purchase ordinary shares of the Company or the equivalent ADSs. Any cumulative compensation expense previously recognized as a liability will be transferred to additional paid-in capital, as an equity-settled award. If the performance target is not achieved, no ordinary shares or ADSs of the Company will be purchased and the amount previously recorded in the liability will be reversed and included in the consolidated statements of operations.

Defined Contribution Plans

The Group's subsidiaries in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain retirement, medical and other welfare benefits are provided to employees. The relevant labor regulations require the Group's subsidiaries in the PRC to pay the local labor and social welfare authority's monthly contributions at a stated contribution rate based on the monthly basic compensation of qualified employees. The relevant local labor and social welfare authorities are responsible for meeting all retirement benefits obligations and the Group's subsidiaries in the PRC have no further commitments beyond their monthly contributions. The contributions to the plan are expensed as incurred.

The Group also makes payments to other defined contribution plans for the benefit of employees employed by subsidiaries outside the PRC. The defined contribution plans are generally funded by the relevant companies and by payments from employees.

The Group's contributions to defined contribution plans for the years ended December 31, 2018, 2019 and 2020 amounted to US$2,878,000, US$3,479,000 and US$2,660,000 respectively.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Group from a customer, are also excluded from revenue. The Group recognizes revenue when it satisfies a performance obligation by transferring control over a good, service or license to a customer.

Nature of goods and services

The following is a description of principal activities, separated by reportable segments, from which the Company generates its revenue:

(i) Oncology/Immunology

The Oncology/Immunology reportable segment principally generates revenue from license and collaboration contracts as well as revenues related to the sale of Marketed Products developed from Oncology/Immunology. The license and collaboration contracts generally contain multiple performance obligations including (1) the license to the commercialization rights of a drug compound and (2) the research and development services for each specified treatment indication, which are accounted for separately if they are distinct, i.e. if a product or service is separately identifiable from other items in the arrangement and if a customer can benefit from it on its own or with other resources that are readily available to the customer.

The transaction price generally includes fixed and variable consideration in the form of upfront payment, research and development cost reimbursements, contingent milestone payments and sales-based royalties. Contingent milestone payments are not included in the transaction price until it becomes probable that a significant reversal of revenue will not occur, which is generally when the specified milestone is achieved. The allocation of the transaction price to each performance obligation is based on the relative standalone selling prices of each performance obligation determined at the inception of the contract. The Group estimates the standalone selling prices based on the income approach. Control of the license to the drug compounds transfers at the inception date of the collaboration agreements and consequently, amounts allocated to this performance obligation are generally recognized at a point in time. Conversely, research and development services for each specified indication are performed over time and amounts allocated to these performance obligations are generally recognized over time using cost inputs as a measure of progress. The Group has determined that research and development expenses provide an appropriate depiction of measure of progress for the research and development services. Changes to estimated cost inputs may result in a cumulative catch-up adjustment. Royalty revenues are recognized as future sales occur as they meet the requirements for the sales-usage based royalty exception.

Deferred revenue is recognized if allocated consideration is received in advance of the Group rendering research and development services. Accounts receivable is recognized based on the terms of the contract and when the Group has an unconditional right to bill the customer, which is generally when research and development services are rendered.

Revenue recognition from the sales of goods and provision of services for Marketed Products developed from Oncology/Immunology follows revenue recognition policies in Other Ventures below.

(ii) Other Ventures

The Other Ventures reportable segment principally generates revenue from (1) sales of goods, which are the manufacture or purchase and distribution of pharmaceutical products and other consumer health products, and (2) provision of services, which are the provision of sales, distribution and marketing services to pharmaceutical manufacturers. The Group evaluates whether it is the principal or agent for these contracts. Where the Group obtains control of the goods for distribution, it is the principal (i.e. recognizes sales of goods on a gross basis). Where the Group does not obtain control of the goods for distribution, it is the agent (i.e. recognizes provision of services on a net basis). Control is primarily evidenced by taking physical possession and inventory risk of the goods.

Revenue from sales of goods is recognized when the customer takes possession of the goods. This usually occurs upon completed delivery of the goods to the customer site. The amount of revenue recognized is adjusted for expected sales incentives as stipulated in the contract, which are generally issued to customers as direct discounts at the point-of-sale or indirectly in the form of rebates. Sales incentives are estimated using the expected value method. Additionally, sales are generally made with a limited right of return under certain conditions. Revenues are recorded net of provisions for sales discounts and returns.

Revenue from provision of services is recognized when the benefits of the services transfer to the customer over time, which is based on the proportionate value of services rendered as determined under the terms of the relevant contract. Additionally, when the amounts that can be invoiced correspond directly with the value to the customer for performance completed to date, the Group recognizes revenue from provision of services based on amounts that can be invoiced to the customer.

Deferred revenue is recognized if consideration is received in advance of transferring control of the goods or rendering of services. Accounts receivable is recognized if the Group has an unconditional right to bill the customer, which is generally when the customer takes possession of the goods or services are rendered. Payment terms differ by subsidiary and customer, but generally range from 45 to 180 days from the invoice date.

Research and Development Expenses

Research and development costs are expensed as incurred.

Collaborative Arrangements

The Group enters into collaborative arrangements with collaboration partners that fall under the scope of Accounting Standards Codification ("ASC") 808, Collaborative Arrangements ("ASC 808"). The Group records all expenditures for such collaborative arrangements in research and development expenses as incurred, including payments to third party vendors and reimbursements to collaboration partners, if any. Reimbursements from collaboration partners are recorded as reductions to research and development expenses and accrued when they can be contractually claimed.

Government Grants

Grants from governments are recognized at their fair values. Government grants that are received in advance are deferred and recognized in the consolidated statements of operations over the period necessary to match them with the costs that they are intended to compensate. Government grants in relation to the achievement of stages of research and development projects are recognized in the consolidated statements of operations when amounts have been received and all attached conditions have been met. Non-refundable grants received without any further obligations or conditions attached are recognized immediately in the consolidated statements of operations.

Leases

Summary of impact of applying ASC 842

The Group applied ASC 842 to its various leases at the date of initial application of January 1, 2019. As a result, the Group has changed its accounting policy for leases as detailed below. The core principle of ASC 842 is that a lessee should recognize the assets and liabilities that arise from leases. Therefore, the Group recognizes in the consolidated balance sheets liabilities to make lease payments (the lease liabilities) and right-of-use assets

representing its right to use the underlying assets for their lease terms. The Group applied ASC 842 using the optional transition method by recognizing the cumulative effect as an adjustment to opening accumulated losses as at January 1, 2019. The comparative information prior to January 1, 2019 has not been adjusted and continues to be reported under ASC 840, Leases ("ASC 840").

The Group assessed lease agreements as at January 1, 2019 under ASC 842, except for short-term leases. The Group elected the short-term lease exception for leases with a term of 12 months or less and recognizes lease expenses for such leases on a straight-line basis over the lease term and does not recognize right-of-use assets or lease liabilities accordingly. As a result of this assessment, the Group recorded an aggregate US$0.7 million in additional lease expenses as a cumulative adjustment to opening accumulated losses upon adoption. Additionally, the Group recognized right-of-use assets and lease liabilities of US$5.7 million and US$6.4 million respectively as at January 1, 2019.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as at January 1, 2019. The Group's weighted average incremental borrowing rate applied on January 1, 2019 was 3.97% per annum.

A reconciliation of the Group's reported operating lease commitments as at December 31, 2018 and the Group's lease liabilities recognized upon adoption of ASC 842 as at January 1, 2019 is as follows:

	(in US$'000)
Operating lease commitments as at December 31, 2018 (note (a))	8,835
Less: Leases not commenced as at January 1, 2019	(3,676)
Less: Short-term leases	(5)
Add: Adjustment as a result of the treatment for a termination option (note (b))	1,409
Less: Discount under the lessees' incremental borrowing rate as at January 1, 2019	(206)
Lease liabilities recognized as at January 1, 2019	6,357

Notes:

(a) Future aggregate minimum payments under non-cancellable operating leases under ASC 840 were as follows:

	December 31, 2018
	(in US$'000)
Not later than 1 year	3,026
Between 1 to 2 years	2,735
Between 2 to 3 years	1,056
Between 3 to 4 years	882
Between 4 to 5 years	810
Later than 5 years	326
Total minimum lease payments	8,835

(b) The Group leases its corporate offices in Hong Kong through a support service agreement with an indirect subsidiary of CK Hutchison Holdings Limited ("CK Hutchison"), which is the Company's indirect major shareholder. The support service agreement may be terminated by giving 3-month advance notice; therefore, there was no lease commitment beyond the 3-month advance notice period as at December 31, 2018. This termination option is not considered probable of exercise for the purposes of applying ASC 842.

The Group recognized right-of-use assets as at January 1, 2019 measured at their carrying amounts as if ASC 842 had been applied since their commencement dates, but discounted using the lessees' incremental borrowing rate as at January 1, 2019.

Recognized right-of-use assets upon adoption were as follows:

	(in US$'000)
Offices	4,877
Factories	383
Others	487
	5,747

There were no adjustments to net cash generated from/(used in) operating activities, investing activities or financing activities in the consolidated statement of cash flows.

In applying ASC 842 for the first time, the Group has used the following practical expedients permitted by the standard: (i) no reassessment of whether any expired or existing contracts are or contain leases; (ii) no reassessment of the lease classification for any expired or existing leases; (iii) the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and (iv) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition to the optional transition method to be applied by the Group, ASC 842 also permits the use of the retrospective method. The retrospective method requires entities to apply ASC 842 to each lease that existed at the beginning of the earliest comparative period presented (i.e. January 1, 2018), as well as leases that commenced after that date. Under the retrospective method, all prior comparative periods presented would be adjusted, including a gross up to right-of-use assets and lease liabilities in the consolidated balance sheets as at January 1, 2018, December 31, 2018 for the then outstanding leases. The adoption of ASC 842 using the retrospective method would not have resulted in a material impact to accumulated losses or total shareholders' equity as at January 1, 2018, and December 31 2018.

Updated accounting policy – ASC 842

In an operating lease, a lessee obtains control of only the use of the underlying asset, but not the underlying asset itself. An operating lease is recognized as a right-of-use asset with a corresponding liability at the date which the leased asset is available for use by the Group. The Group recognizes an obligation to make lease payments equal to the present value of the lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option.

Lease liabilities include the net present value of the following lease payments: (i) fixed payments; (ii) variable lease payments; and (iii) payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, if any. Lease liabilities exclude the following payments that are generally accounted for separately: (i) non-lease components, such as maintenance and security service fees and value added tax, and (ii) any payments that a lessee makes before the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be determined, the lessee's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds in its currency and jurisdiction necessary to obtain an asset of similar value, economic environment and terms and conditions.

An asset representing the right to use the underlying asset during the lease term is recognized that consists of the initial measurement of the operating lease liability, any lease payments made to the lessor at or before the commencement date less any lease incentives received, any initial direct cost incurred by the Group and any restoration costs.

After commencement of the operating lease, the Group recognizes lease expenses on a straight-line basis over the lease term. The right-of-use asset is subsequently measured at cost less accumulated amortization and any impairment provision. The amortization of the right-of-use asset represents the difference between the straight-line lease expense and the accretion of interest on the lease liability each period. The interest amount is used to accrete the lease liability and to amortize the right-of-use asset. There is no amount recorded as interest expense.

Payments associated with short-term leases are recognized as lease expenses on a straight-line basis over the period of the leases.

Subleases of right-of-use assets are accounted for similar to other leases. As an intermediate lessor, the Group separately accounts for the head-lease and sublease unless it is relieved of its primary obligation under the head-lease. Sublease income is recorded on a gross basis separate from the head-lease expenses. If the total remaining lease cost on the head-lease is more than the anticipated sublease income for the lease term, this is an indicator that the carrying amount of the right-of-use asset associated with the head-lease may not be recoverable, and the right-of-use asset will be assessed for impairment.

Prior accounting policy – ASC 840

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the period of the leases.

Total operating lease rentals for factories and offices for the year ended December 31, 2018 amounted to US$3,759,000. Sublease rentals for the year ended December 31, 2018 amounted to US$254,000.

Othe Income

Other income comprises items which are non-operating in nature including net foreign exchange gains and government grants.

Income Taxes

The Group accounts for income taxes under the liability method. Under the liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and income tax bases of assets and liabilities and are measured using the income tax rates that will be in effect when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some of the net deferred income tax asset will not be realized.

The Group accounts for an uncertain tax position in the Historical Financial Information only if it is more likely than not that the position is sustainable based on its technical merits and consideration of the relevant tax authority's widely understood administrative practices and precedents. If the recognition threshold is met, the Group records the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement.

The Group recognizes interest and penalties for income taxes, if any, under income tax payable on its consolidated balance sheets and under other expenses in its consolidated statements of operations.

Losses Per Share

Basic losses per share is computed by dividing net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue during the year. Weighted average number of outstanding ordinary shares in issue excludes treasury shares.

Diluted losses per share is computed by dividing net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue and dilutive ordinary share equivalents outstanding during the year. Dilutive ordinary share equivalents include ordinary shares and treasury shares issuable upon the exercise or settlement of share-based awards or warrants issued by the Company using the treasury stock method. The computation of diluted losses per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who is the Group's chief operating decision maker. The chief operating decision maker reviews the Group's internal reporting in order to assess performance and allocate resources and determined that the Group's reportable segments are as disclosed in Note 26.

Profit Appropriation and Statutory Reserves

The Group's subsidiaries and equity investees established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the relevant laws and regulations established in the PRC, the Company's subsidiaries registered as wholly-owned foreign enterprise have to make appropriations from their after-tax profits (as determined under generally accepted accounting principles in the PRC ("PRC GAAP")) to reserve funds including general reserve fund, enterprise expansion fund and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the company. Appropriations to the enterprise expansion fund and staff bonus and welfare fund are made at the respective company's discretion. For the Group's equity investees, the amount of appropriations to these funds are made at the discretion of their respective boards.

In addition, Chinese domestic companies must make appropriations from their after-tax profits as determined under PRC GAAP to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the respective company's discretion.

The use of the general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund is restricted to the offsetting of losses or increases to the registered capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to employees and for the collective welfare of employees. All these reserves are not permitted to be transferred to the company as cash dividends, loans or advances, nor can they be distributed except under liquidation.

Investments in Subsidiaries

The Company's investments in subsidiaries as set forth in the Company balance sheets (parent company only) are accounted for under the equity method of accounting. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of the Company balance sheets (parent company only), the Company has continued to reflect its share, based on its proportionate interest, of the losses of a subsidiary regardless of the carrying value of the investment even though the Company is not legally obligated to provide continuing support or fund losses.

Recent Accounting Pronouncements

The Group has adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") on January 1, 2020, which replaced the incurred loss methodology with an expected loss methodology that was referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology was applicable to financial assets measured at amortized cost, including cash and cash equivalents, short-term investments, accounts receivable and other receivables. The adoption of ASU 2016-13 did not have a material impact on the Group's Historical Financial Information.

The Group has adopted ASU 2017-04 – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04") on January 1, 2020, which eliminated step two from the goodwill impairment test and instead requires an entity to recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, limited to the total amount of goodwill allocated to that reporting unit. The Group applied ASU 2017-04 prospectively and the adoption did not have a material impact on the Group's Historical Financial Information.

Amendments that have been issued by the Financial Accounting Standards Board or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Group's Historical Financial Information.

4. Fair Value Disclosures

The following table presents the Group's financial instruments by level within the fair value hierarchy under ASC 820, Fair Value Measurement:

	Fair Value Measurement Using			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in US$'000)		
As at December 31, 2018				
Cash and cash equivalents	86,036	–	–	86,036
Short-term investments	214,915	–	–	214,915
As at December 31, 2019				
Cash and cash equivalents	121,157	–	–	121,157
Short-term investments	96,011	–	–	96,011
As at December 31, 2020				
Cash and cash equivalents	235,630	–	–	235,630
Short-term investments	199,546	–	–	199,546

Accounts receivable, other receivables, amounts due from related parties, accounts payable, other payables and amounts due to related parties are carried at cost, which approximates fair value due to the short-term nature of these financial instruments, and are therefore excluded from the above table. Bank borrowings are floating rate instruments and carried at amortized cost, which approximates their fair values, and are therefore excluded from the above table.

5. Cash and Cash Equivalents

	December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Cash at bank and on hand (note (a))	78,556	85,990	87,828
Bank deposits maturing in three months or less (note (a))	7,480	35,167	147,802
	86,036	121,157	235,630
Denominated in:			
US$ (note (b))	58,291	84,911	164,201
RMB (note (b))	23,254	27,768	64,258
UK Pound Sterling ("£") (note (b))	331	335	954
Hong Kong dollar ("HK$")	4,160	8,143	5,907
Euro	–	–	310
	86,036	121,157	235,630

Notes:

(a) The weighted average effective interest rate on bank deposits for the years ended December 31, 2018, 2019 and 2020 was 1.98% per annum, 2.15% per annum and 1.12% per annum respectively.

(b) Certain cash and bank balances denominated in RMB, US$ and £ were deposited with banks in the PRC. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

6. Short-term Investments

	December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Bank deposits maturing over three months (note)			
Denominated in:			
US$	214,538	73,986	187,961
RMB	–	–	612
HK$	377	22,025	10,973
	214,915	96,011	199,546

Note: The weighted average effective interest rate on bank deposits for the years ended December 31, 2018, 2019 and 2020 was 2.18% per annum, 2.65% per annum and 1.06% per annum respectively (with maturities ranging from 91 to 100 days, 91 to 129 days and 91 to 180 days respectively).

7. Accounts Receivable – Third Parties

Accounts receivable from contracts with customers, net of allowance for credit losses, consisted of the following:

	December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Accounts receivable, gross	40,217	41,426	46,743
Allowance for credit losses	(41)	(16)	(95)
Accounts receivable, net	40,176	41,410	46,648

Substantially all accounts receivable are denominated in RMB, US$ and HK$ and are due within one year from the end of the reporting periods. The carrying values of accounts receivable approximate their fair values due to their short-term maturities.

Movements on the allowance for credit losses:

	2018	**2019**	**2020**
		(in US$'000)	
As at January 1	258	41	16
Increase in allowance for credit losses (note)	21	16	95
Decrease in allowance due to subsequent collection	(223)	(41)	(18)
Write-off	(1)	–	–
Exchange difference	(14)	–	2
As at December 31	41	16	95

Note: The expected credit loss rate for the years ended December 31, 2018, 2019 and 2020 was approximately 0.1%, 0.1% and 0.2% respectively.

An aging analysis based on the relevant invoice dates is as follows:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Not later than 3 months	37,326	37,899	42,434
Between 3 months to 6 months	2,704	2,414	3,118
Between 6 months to 1 year	61	24	23
Later than 1 year	126	1,089	1,168
Accounts receivable, gross	40,217	41,426	46,743

8. Other receivables, prepayments and deposits

Other receivables, prepayments and deposits consisted of the following:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Prepayments	4,250	3,767	7,038
Purchase rebates	190	173	191
Leasehold land deposit (Note 13)	–	–	930
Deposits	856	898	905
Value-added tax receivables	6,605	8,760	14,957
Interest receivables	583	537	283
Others	950	1,634	2,482
	13,434	15,769	26,786

9. Inventories

Inventories, net of provision for excess and obsolete inventories, consisted of the following:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Raw materials	652	2,274	4,502
Finished goods	11,657	13,934	15,264
	12,309	16,208	19,766

10. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Buildings	Leasehold improvements	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)			
Cost						
As at January 1, 2018	2,372	9,057	2,568	15,154	2,558	31,709
Additions	–	920	48	1,424	4,110	6,502
Disposals	–	(130)	(2)	(223)	–	(355)
Transfers	–	4,253	742	945	(5,940)	–
Exchange differences	(100)	(416)	(138)	(657)	(103)	(1,414)
As at December 31, 2018	2,272	13,684	3,218	16,643	625	36,442
Accumulated depreciation						
As at January 1, 2018	1,141	5,296	499	10,553	–	17,489
Depreciation	120	1,323	316	1,727	–	3,486
Disposals	–	(117)	(2)	(203)	–	(322)
Transfers	127	–	–	(127)	–	–
Exchange differences	(58)	(258)	(31)	(480)	–	(827)
As at December 31, 2018	1,330	6,244	782	11,470	–	19,826
Net book value						
As at December 31, 2018	942	7,440	2,436	5,173	625	16,616

	Buildings	Leasehold improvements	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)			
Cost						
As at January 1, 2019	2,272	13,684	3,218	16,643	625	36,442
Additions	–	587	247	3,470	5,329	9,633
Disposals	–	–	–	(812)	–	(812)
Transfers	–	3,103	1,096	755	(4,954)	–
Exchange differences	(60)	(352)	(87)	(485)	(72)	(1,056)
As at December 31, 2019	2,212	17,022	4,474	19,571	928	44,207
Accumulated depreciation						
As at January 1, 2019	1,330	6,244	782	11,470	–	19,826
Depreciation	114	2,270	402	2,058	–	4,844
Disposals	–	–	–	(720)	–	(720)
Exchange differences	(38)	(210)	(29)	(321)	–	(598)
As at December 31, 2019	1,406	8,304	1,155	12,487	–	23,352
Net book value						
As at December 31, 2019	806	8,718	3,319	7,084	928	20,855

	Buildings	Leasehold improvements	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)			
Cost						
As at January 1, 2020	2,212	17,022	4,474	19,571	928	44,207
Additions	–	269	59	2,993	4,571	7,892
Disposals	–	(3,103)	(3)	(1,846)	–	(4,952)
Transfers	–	1,014	789	913	(2,716)	–
Exchange differences	160	1,144	324	1,409	267	3,304
As at December 31, 2020	2,372	16,346	5,643	23,040	3,050	50,451
Accumulated depreciation						
As at January 1, 2020	1,406	8,304	1,155	12,487	–	23,352
Depreciation	112	2,701	484	2,646	–	5,943
Disposals	–	(3,051)	(1)	(1,815)	–	(4,867)
Exchange differences	108	698	109	938	–	1,853
As at December 31, 2020	1,626	8,652	1,747	14,256	–	26,281
Net book value						
As at December 31, 2020	746	7,694	3,896	8,784	3,050	24,170

11. Leases

Leases consisted of the following:

	December 31,	
	2019	2020
	(in US$'000)	
Right-of-use assets		
Offices (note)	5,281	6,789
Factories	112	945
Warehouse	–	197
Others	123	85
Total right-of-use assets	5,516	8,016
Lease liabilities – current	3,216	2,785
Lease liabilities – non-current	3,049	6,064
Total lease liabilities	6,265	8,849

Note: Includes US$2.0 million right-of-use asset for corporate offices in Hong Kong that is leased through May 2024 in which the contract has a termination option with 3-month advance notice. The termination option was not recognized as part of the right-of-use asset and lease liability as it was uncertain that the Group will exercise such option.

Lease activities are summarized as follows:

	Year Ended December 31,	
	2019	2020
	(in US$'000)	
Lease expenses:		
Short-term leases with lease terms equal or less than 12 months	311	323
Leases with lease terms greater than 12 months (note)	3,702	3,400
	4,013	3,723
Sublease rental income	61	–
Cash paid on lease liabilities	3,886	3,340
Non-cash: Lease liabilities recognized from obtaining right-of-use assets	3,197	3,098
Non-cash: Lease liabilities changed in relation to modifications	744	2,259

Note: Lease expenses for the year ended December 31, 2019 includes US$0.3 million in accelerated amortization on a right-of-use asset for retail space in the United Kingdom leased through May 2022. The Group had subleased the retail space through May 2022 to a third-party and in December 2019, the sublease was discontinued and the Group recorded accelerated amortization after determining that additional sublease rental income was uncertain.

Lease contracts are typically within a period of 1 to 8 years. The weighted average remaining lease term and the weighted average discount rate as at December 31, 2019 was 2.80 years and 4.10% respectively. The weighted average remaining lease term and the weighted average discount rate as at December 31, 2020 was 3.72 years and 3.87% respectively.

Future lease payments are as follows:

	December 31, 2020
	(in US$'000)
Lease payments:	
Not later than 1 year	3,059
Between 1 to 2 years	2,429
Between 2 to 3 years	2,222
Between 3 to 4 years	1,046
Between 4 to 5 years	216
Later than 5 years	484
Total lease payments (note)	9,456
Less: Discount factor	(607)
Total lease liabilities	8,849

Note: Excludes future lease payments on a lease not commenced as at December 31, 2020 in the aggregate amount of US$2.9 million.

12. Investments in Equity Investees

Investments in equity investees consisted of the following:

	December 31,		
	2018	2019	2020
		(in US$'000)	
HBYS	60,992	22,271	59,712
SHPL	68,812	76,226	79,408
Others (note)	8,514	447	385
	138,318	98,944	139,505

Note: As Nutrition Science Partners ("NSPL") had no operations in 2019, and as the Group and the equity investee partner had no further plans to jointly develop NSPL's drug candidates, the Group agreed on December 9, 2019 to discontinue the joint venture by acquiring the remaining 50% shareholding in NSPL. The Group paid consideration of US$8.1 million in exchange for the equity investee partner's share of the net assets of NSPL, which was approximately US$8.1 million in cash and cash equivalents. After the acquisition, NSPL became a subsidiary. The investment in NSPL as at December 31, 2018 was approximately US$8.1 million and was included in other entities.

Particulars regarding the principal equity investees are disclosed in Note 2. The equity investees are private companies and there are no quoted market prices available for their shares.

Summarized financial information for the significant equity investees HBYS and SHPL, both under Other Ventures segment, is as follows:

(i) Summarized balance sheets

	HBYS			SHPL		
	December 31,					
	2018	2019	2020	2018	2019	2020
	(in US$'000)					
Current assets	116,020	124,704	177,888	124,512	141,268	175,965
Non-current assets	100,353	95,096	95,731	98,532	91,098	93,361
Current liabilities	(73,974)	(124,051)	(137,179)	(84,357)	(79,533)	(109,873)
Non-current liabilities	(17,302)	(48,690)	(16,034)	(6,909)	(6,074)	(6,739)
Net assets	125,097	47,059	120,406	131,778	146,759	152,714
Non-controlling interests	(3,113)	(2,518)	(982)	–	–	–
	121,984	44,541	119,424	131,778	146,759	152,714

(ii) Summarized statements of operations

	HBYS[note a]			SHPL		
	Year Ended December 31,					
	2018	2019	2020	2018	2019	2020
	(in US$'000)					
Revenue	215,838	215,403	232,368	275,649	272,082	276,354
Gross profit	113,137	115,124	116,804	192,939	194,769	204,191
Interest income	81	160	271	673	582	975
Finance cost	(152)	(16)	(5)	–	–	–
Profit before taxation	20,703	22,926	107,715	69,138	72,324	77,837
Income tax expense (note (b))	(4,227)	(3,634)	(16,494)	(9,371)	(11,015)	(10,833)
Net income	16,476	19,292	91,221	59,767	61,309	67,004
Non-controlling interests	384	505	62	–	–	–
Net income attributable to the shareholders of equity investee	16,860	19,797	91,283	59,767	61,309	67,004

Notes:

(a) In June 2020, HBYS entered into an agreement with the government to return the land use right for a plot of land in Guangzhou to the government for cash consideration of up to RMB683.0 million (approximately US$101.2 million) (the "Land Compensation Agreement"). In November 2020, HBYS completed all material obligations as stipulated in the Land Compensation Agreement including the deregistration of the land use right certificate. Therefore, HBYS has recorded the return of leasehold land to the government for RMB569.2 million (approximately US$86.1 million), resulting in a gain of RMB559.7 million (approximately US$84.7 million) after deducting costs of RMB1.7 million (approximately US$0.3 million) to HBYS or RMB475.7 million, net of tax (approximately US$72.0 million). The remaining RMB113.8 million (approximately US$17.4 million) of cash consideration is a land bonus payment conditional upon the receipt of completion confirmation from the government within 12 months from the date of the Land Compensation Agreement and therefore has not been recognized as at December 31, 2020.

(b) The main entities within each of the HBYS and SHPL groups have been granted the High and New Technology Enterprise ("HNTE") status (the latest renewal of this status covers the years from 2020 to 2022). These entities were eligible to use a preferential income tax rate of 15% for the year ended December 31, 2020 on this basis.

For the year ended December 31, 2018, other equity investees had net losses of approximately US$37,962,000, primarily from NSPL which incurred research and development expenses and recorded an impairment provision of US$30,000,000 on its intangible assets. For the years ended December 31, 2019 and 2020, other equity investees had net income of approximately US$294,000 and net losses of approximately US$194,000 respectively.

(iii) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of investments in equity investees is as follows:

	HBYS			SHPL		
	2018	2019	2020	2018	2019	2020
	(in US$'000)					
Opening net assets after non-controlling interests as at January 1	110,616	121,984	44,541	132,731	131,778	146,759
Impact of change in accounting policy (ASC 842 – Leases)	–	(19)	–	–	(2)	–
Net income attributable to the shareholders of equity investee	16,860	19,797	91,283	59,767	61,309	67,004
Purchase of additional interests in a subsidiary of an equity investee (note)	–	–	(347)	–	–	–
Dividends declared	–	(93,957)	(20,756)	(54,923)	(41,654)	(72,179)
Other comprehensive (loss)/income	(5,492)	(3,264)	4,703	(5,797)	(4,672)	11,130
Closing net assets after non-controlling interests as at December 31	121,984	44,541	119,424	131,778	146,759	152,714
Group's share of net assets	60,992	22,271	59,712	65,889	73,380	76,357
Goodwill	–	–	–	2,923	2,846	3,051
Carrying amount of investments as at December 31	60,992	22,271	59,712	68,812	76,226	79,408

Note: During the year ended December 31, 2020, HBYS acquired an additional 30% interest in a subsidiary and after the acquisition, it became a wholly-owned subsidiary of HBYS.

The equity investees had the following capital commitments:

	December 31, 2020
	(in US$'000)
Property, plant and equipment	
Contracted but not provided for	2,535

13. Other Non-Current Assets

	December 31,		
	2018	2019	2020
		(in US$'000)	
Leasehold land (note)	1,174	1,110	13,121
Goodwill	3,186	3,112	3,307
Leasehold land deposit (note)	–	–	1,396
Long term prepayment	1,356	1,103	950
Other intangible asset	347	275	227
Deferred issuance cost	–	180	1,171
	6,063	5,780	20,172

Note: In December 2020, HMPL acquired a land use right in Shanghai for consideration of US$12.0 million. In addition, a leasehold land deposit amounting to US$2.3 million was required to be paid to the government which is refundable upon reaching specific milestones for the construction of a manufacturing plant on the land. US$0.9 million was included in other receivables, prepayments and deposits (Note 8) and US$1.4 million was included in other non-current assets based on the expected timing of the specific milestones.

14. Accounts Payable

	December 31,		
	2018	2019	2020
		(in US$'000)	
Accounts payable – third parties	14,158	19,598	26,756
Accounts payable – non-controlling shareholders of subsidiaries (Note 23(iv))	4,960	4,363	4,856
Accounts payable – related party (Note 23(ii))	6,507	–	–
	25,625	23,961	31,612

Substantially all accounts payable are denominated in RMB and US$ and due within one year from the end of the reporting period. The carrying values of accounts payable approximate their fair values due to their short-term maturities.

An aging analysis based on the relevant invoice dates is as follows:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Not later than 3 months	19,185	20,658	26,270
Between 3 months to 6 months	5,584	1,846	3,364
Between 6 months to 1 year	703	1,394	782
Later than 1 year	153	63	1,196
	25,625	23,961	31,612

15. Other Payables, Accruals and Advance Receipts

Other payables, accruals and advance receipts consisted of the following:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Accrued salaries and benefits	8,962	13,258	21,982
Accrued research and development expenses	28,883	48,531	72,697
Accrued selling and marketing expenses	4,675	3,337	5,747
Accrued administrative and other general expenses	5,934	8,411	10,319
Deferred government grants	1,817	445	374
Deposits	1,230	1,778	1,408
Dividend payable to non-controlling shareholder of subsidiary (Note 23(iv))	1,282	–	–
Others	3,544	5,864	8,355
	56,327	81,624	120,882

16. Bank Borrowings

Bank borrowings consisted of the following:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Non-current	26,739	26,818	26,861

The weighted average interest rate for outstanding bank borrowings for the years ended December 31, 2018, 2019 and 2020 was 2.79% per annum, 3.30% per annum and 1.89% per annum respectively. The carrying amounts of the Group's bank borrowings were denominated in HK$.

(i) 3-year revolving loan facility and 3-year term loan and revolving loan facilities

In November 2018, the Group through its subsidiary, renewed a 3-year revolving loan facility with a bank in the amount of HK$234,000,000 (US$30,000,000) with an interest rate at the Hong Kong Interbank Offered Rate ("HIBOR") plus 0.85% per annum. This credit facility is guaranteed by the Company. As at December 31, 2018, 2019 and 2020, no amount has been drawn from the revolving loan facility.

In May 2019, the Group through its subsidiary, entered into a separate facility agreement with the bank for the provision of additional unsecured credit facilities in the aggregate amount of HK$400,000,000 (US$51,282,000). The 3-year credit facilities include (i) a HK$210,000,000 (US$26,923,000) term loan facility and (ii) a HK$190,000,000 (US$24,359,000) revolving loan facility, both with an interest rate at HIBOR plus 0.85% per annum, and an upfront fee of HK$819,000 (US$105,000) on the term loan. These credit facilities are guaranteed by the Company. The term loan was drawn in October 2019 and is due in May 2022. As at December 31, 2019 and 2020, no amount has been drawn from the revolving loan facility.

(ii) 2-year revolving loan facilities

In August 2018, the Group through its subsidiary, entered into two separate facility agreements with banks for the provision of unsecured credit facilities in the aggregate amount of HK$507,000,000 (US$65,000,000). The first credit facility was a HK$351,000,000 (US$45,000,000) revolving loan facility, with a term of 2 years and an interest rate at HIBOR plus 1.35% per annum. The second credit facility was a HK$156,000,000 (US$20,000,000) revolving loan facility, with a term of 2 years and an interest rate at HIBOR plus 1.35% per annum. These credit facilities were guaranteed by the Company. No amount has been drawn from either of the revolving loan facilities. Both loan facilities expired in August 2020.

In August 2020, the Group through its subsidiary, entered into a 2-year revolving loan facility with a bank in the amount of HK$117,000,000 (US$15,000,000) with an interest rate at HIBOR plus 4.5% per annum. This credit facility is guaranteed by the Company. As at December 31, 2020, no amount has been drawn from the revolving loan facility.

(iii) 3-year term loan and 18-month revolving loan facilities

In November 2017, the Group through its subsidiary, entered into facility agreements with a bank for the provision of unsecured credit facilities in the aggregate amount of HK$400,000,000 (US$51,282,000). The credit facilities included (i) a HK$210,000,000 (US$26,923,000) 3-year term loan facility and (ii) a HK$190,000,000 (US$24,359,000) 18-month revolving loan facility. The term loan bore interest at HIBOR plus 1.50% per annum and an upfront fee of HK$1,575,000 (US$202,000). The revolving loan facility bore interest at HIBOR plus 1.25% per annum. These credit facilities were guaranteed by the Company. The term loan was drawn in May 2018 and was fully repaid in June 2019. The revolving loan facility expired in May 2019.

The Group's bank borrowings are repayable as from the dates indicated as follows:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Not later than 1 year	–	–	–
Between 1 to 2 years	26,923	–	26,923
Between 2 to 3 years	–	26,923	–
	26,923	26,923	26,923

As at December 31, 2018, 2019 and 2020, the Group had unutilized bank borrowing facilities of HK$931,000,000 (US$119,359,000), HK$931,000,000 (US$119,359,000) and HK$541,000,000 (US$69,359,000) respectively.

17. Commitments and Contingencies

The Group had the following capital commitments:

	December 31, 2020
	(in US$'000)
Property, plant and equipment	
Contracted but not provided for	5,053

The Group does not have any other significant commitments or contingencies.

18. Ordinary Shares

As at December 31, 2020, the Company is authorized to issue 1,500,000,000 ordinary shares.

On January 27, 2020, the Company issued 22,000,000 ordinary shares in the form of 4,400,000 ADSs for gross proceeds of US$110.0 million. On February 10, 2020, the Company issued an additional 1,668,315 ordinary shares in the form of 333,663 ADSs for gross proceeds of US$8.3 million. Issuance costs totaled US$8.0 million.

On July 2, 2020 and July 3, 2020, the Company issued (1) aggregate 20,000,000 ordinary shares and (2) warrants to a third party for gross proceeds of US$100.0 million through a PIPE. The warrants allow the third party to purchase up to 16,666,670 ordinary shares of the Company within 18 months of the issuance date for an exercise price of US$6.00 per ordinary share, or an additional US$100.0 million if fully exercised. As the warrants qualify for equity classification, all gross proceeds were recorded to equity. Issuance costs totaled US$0.2 million.

On November 26, 2020, the Company issued 16,666,670 ordinary shares to a third party for gross proceeds of US$100.0 million through a PIPE. Issuance costs totaled US$0.1 million.

Each ordinary share is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors of the Company.

19. Share-based Compensation

(i) Share-based Compensation of the Company

The Company conditionally adopted a share option scheme on June 4, 2005 (as amended on March 21, 2007) and such scheme has a term of 10 years. It expired in 2016 and no further share options can be granted. Another share option scheme was conditionally adopted on April 24, 2015 (the "Hutchmed Share Option Scheme"). Pursuant to the Hutchmed Share Option Scheme, the Board of Directors of the Company may, at its discretion, offer any employees and directors (including Executive and Non-executive Directors but excluding Independent Non-executive Directors) of the Company, holding companies of the Company and any of their subsidiaries or affiliates, and subsidiaries or affiliates of the Company share options to subscribe for shares of the Company.

Pursuant to a resolution passed in the Annual General Meeting on April 27, 2020, the scheme limit of the Hutchmed Share Option Scheme was refreshed to 34,528,738 ordinary shares, representing 5% of the total issued shares on such date.

As at December 31, 2020, the aggregate number of shares issuable under the Hutchmed Share Option Scheme was 50,663,268 ordinary shares and the aggregate number of shares issuable under the prior share option scheme which expired in 2016 was 1,116,180 ordinary shares. The Company will issue new shares to satisfy share option exercises. Additionally, the number of shares authorized but unissued was 772,277,785 ordinary shares.

Share options granted are generally subject to a four-year vesting schedule, depending on the nature and the purpose of the grant. Share options subject to the four-year vesting schedule, in general, vest 25% upon the first anniversary of the vesting commencement date as defined in the grant letter, and 25% every subsequent year. However, certain share option grants may have a different vesting schedule as approved by the Board of Directors of the Company. No outstanding share options will be exercisable or subject to vesting after the expiry of a maximum of eight to ten years from the date of grant.

A summary of the Company's share option activity and related information is as follows:

	Number of share options	Weighted average exercise price in £ per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value (in £'000)
Outstanding at January 1, 2018	11,264,120	1.77	6.29	43,158
Granted	10,606,260	4.69		
Exercised	(2,107,080)	1.40		
Cancelled	(1,208,450)	4.30		
Outstanding at December 31, 2018	18,554,850	3.31	7.35	15,158
Granted	2,315,000	3.18		
Exercised	(329,000)	0.61		
Cancelled	(1,012,110)	4.61		
Expired	(96,180)	4.65		
Outstanding at December 31, 2019	19,432,560	3.27	6.67	18,668
Granted	15,437,080	3.71		
Exercised	(480,780)	0.96		
Cancelled	(4,486,200)	3.85		
Expired	(741,670)	4.62		
Outstanding at December 31, 2020	29,160,990	3.40	7.21	35,654
Vested and exercisable at December 31, 2018	8,032,040	1.68	4.84	14,843
Vested and exercisable at December 31, 2019	10,139,170	2.39	4.89	16,654
Vested and exercisable at December 31, 2020	11,529,280	2.73	4.57	21,864

In estimating the fair value of share options granted, the following assumptions were used in the Polynomial model for awards granted in the periods indicated:

	Year Ended December 31,		
	2018	2019	2020
Weighted average grant date fair value of share options (in £ per share)	1.67	1.07	1.40
Significant inputs into the valuation model (weighted average):			
Exercise price (in £ per share)	4.69	3.18	3.71
Share price at effective date of grant (in £ per share)	4.66	3.07	3.71
Expected volatility (note (a))	37.6%	38.4%	42.6%
Risk-free interest rate (note (b))	1.46%	0.56%	0.59%
Contractual life of share options (in years)	10	10	10
Expected dividend yield (note (c))	0%	0%	0%

Notes:

(a) The Company calculated its expected volatility with reference to the historical volatility prior to the issuances of share options.

(b) For share options exercisable into ordinary shares, the risk-free interest rates reference the sovereign yield of the United Kingdom because the Company's ordinary shares are currently listed on AIM and denominated in £. For share options exercisable into ADSs, the risk-free interest rates reference the U.S. Treasury yield curves because the Company's ADSs are currently listed on the NASDAQ and denominated in US$.

(c) The Company has not declared or paid any dividends and does not currently expect to do so in the foreseeable future, and therefore uses an expected dividend yield of zero in the Polynomial model.

The Company will issue new shares to satisfy share option exercises. The following table summarizes the Company's share option exercises:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Cash received from share option exercises	3,868	251	593
Total intrinsic value of share option exercises	9,394	1,189	2,475

The Group recognizes compensation expense on a graded vesting approach over the requisite service period. The following table presents share-based compensation expense included in the Group's consolidated statements of operations:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Research and development expenses	7,280	6,634	4,061
Selling and administrative expenses	623	539	4,586
Cost of goods	–	–	90
	7,903	7,173	8,737

As at December 31, 2020, the total unrecognized compensation cost was US$19,350,000, and will be recognized on a graded vesting approach over the weighted average remaining service period of 3.23 years.

(ii) LTIP

The Company grants awards under the LTIP to participating directors and employees, giving them a conditional right to receive ordinary shares of the Company or the equivalent ADSs (collectively the "Awarded Shares") to be purchased by the Trustee up to a cash amount. Vesting will depend upon continued employment of the award holder with the Group and will otherwise be at the discretion of the Board of Directors of the Company. Additionally, some awards are subject to change based on annual performance targets prior to their determination date.

LTIP awards prior to the determination date

Performance targets vary by award, and may include targets for shareholder returns, free cash flows, revenues, net profit after taxes and the achievement of clinical and regulatory milestones. As the extent of achievement of the performance targets is uncertain prior to the determination date, a probability based on management's assessment on the achievement of the performance target has been assigned to calculate the amount to be recognized as an expense over the requisite period with a corresponding entry to liability.

LTIP awards after the determination date

Upon the determination date, the Company will pay a determined monetary amount, up to the maximum cash amount based on the actual achievement of the performance target specified in the award, to the Trustee to purchase the Awarded Shares. Any cumulative compensation expense previously recognized as a liability will be transferred to additional paid-in capital, as an equity-settled award. If the performance target is not achieved, no Awarded Shares of the Company will be purchased and the amount previously recorded in the liability will be reversed through share-based compensation expense.

Granted awards under the LTIP are as follows:

Grant date	Maximum cash amount per annum (in US$ millions)	Covered financial years	Performance target determination date
August 6, 2018	0.1	2018 – 2019	note (a)
December 14, 2018	1.5	2019	note (a)
August 5, 2019	0.7	2019	note (a)
October 10, 2019	0.1	note (b)	note (b)
April 20, 2020	5.3	2019	note (d)
April 20, 2020	37.4	2020	note (a)
April 20, 2020	1.9	note (b)	note (b)
April 20, 2020	0.2	note (c)	note (c)
August 12, 2020	2.1	2020	note (a)
August 12, 2020	0.3	note (b)	note (b)

Notes:

(a) The annual performance target determination date is the date of the announcement of the Group's annual results for the covered financial year and vesting occurs two business days after the announcement of the Group's annual results for the financial year falling two years after the covered financial year to which the LTIP award relates.

(b) This award does not stipulate performance targets and is subject to a vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant.

(c) This award does not stipulate performance targets and will be vested on the first anniversary of the date of grant.

(d) This award does not stipulate performance targets and vesting occurs two business days after the announcement of the Group's annual results for the financial year falling two years after the covered financial year to which the LTIP award relates.

The Trustee has been set up solely for the purpose of purchasing and holding the Awarded Shares during the vesting period on behalf of the Company using funds provided by the Company. On the determination date, if any, the Company will determine the cash amount, based on the actual achievement of each annual performance target, for the Trustee to purchase the Awarded Shares. The Awarded Shares will then be held by the Trustee until they are vested.

The Trustee's assets include treasury shares and funds for additional treasury shares, trustee fees and expenses. The number of treasury shares (in the form of ordinary shares or ADS of the Company) held by the Trustee were as follows:

	Number of treasury shares	Cost (in US$'000)
As at January 1, 2018	559,775	1,957
Purchased	795,005	5,451
Vested	(233,750)	(731)
As at December 31, 2018	1,121,030	6,677
Purchased	60,430	346
Vested	(240,150)	(944)
As at December 31, 2019	941,310	6,079
Purchased	3,281,920	12,904
Vested	(712,555)	(4,828)
As at December 31, 2020	3,510,675	14,155

Based on the estimated achievement of performance conditions for 2020 financial year LTIP awards, the determined monetary amount was US$30,355,000 which is recognized to share-based compensation expense over the requisite vesting period to March 2023.

For the years ended December 31, 2018, 2019 and 2020, US$692,000, US$262,000 and US$7,038,000 of the LTIP awards were forfeited respectively.

The following table presents the share-based compensation expenses recognized under the LTIP awards:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Research and development expenses	1,000	2,640	7,252
Selling and administrative expenses	1,227	1,779	3,552
Cost of goods	–	–	101
	2,227	4,419	10,905
Recorded with a corresponding credit to:			
Liability	764	2,694	7,778
Additional paid-in capital	1,463	1,725	3,127
	2,227	4,419	10,905

For the years ended December 31, 2018, 2019 and 2020, US$1,770,000, US$526,000 and US$4,092,000 were reclassified from liability to additional paid-in capital respectively upon LTIP awards reaching the determination date. As at December 31 2018, 2019 and 2020, US$1,235,000, US$3,403,000 and US$7,089,000 were recorded as liabilities respectively for LTIP awards prior to the determination date.

As at December 31, 2020, the total unrecognized compensation cost was approximately US$28,623,000, which considers expected performance targets and the amount expected to vest, and will be recognized over the requisite periods.

20. Revenues

The following table presents disaggregated revenue, with sales of goods recognized at a point-in-time and provision of services recognized over time:

	Year Ended December 31, 2018		
	Oncology/ Immunology	Other Ventures	Total
		(in US$'000)	
Goods – Marketed Products (note (a))	3,324	–	3,324
Goods – Distribution	–	161,216	161,216
Services – Commercialization	–	11,660	11,660
– Collaboration Research and Development	17,681	–	17,681
– Research and Development	7,832	–	7,832
Royalties (note (a))	261	–	261
Licenses (note (b))	12,135	–	12,135
	41,233	172,876	214,109
Third parties	33,401	164,570	197,971
Related parties (Note 23(i))	7,832	8,306	16,138
	41,233	172,876	214,109

	Year Ended December 31, 2019		
	Oncology/ Immunology	Other Ventures	Total
		(in US$'000)	
Goods – Marketed Products (note (a))	8,113	–	8,113
Goods – Distribution	–	175,514	175,514
Services – Commercialization	–	2,584	2,584
– Collaboration Research and Development	15,532	–	15,532
– Research and Development	494	–	494
Royalties (note (a))	2,653	–	2,653
	26,792	178,098	204,890
Third parties	26,298	170,461	196,759
Related parties (Note 23(i))	494	7,637	8,131
	26,792	178,098	204,890

	Year Ended December 31, 2020		
	Oncology/ Immunology	Other Ventures	Total
		(in US$'000)	
Goods – Marketed Products (note (a))	11,329	–	11,329
Goods – Distribution	–	197,761	197,761
Services – Commercialization – Marketed Products	3,734	–	3,734
– Collaboration Research and Development	9,771	–	9,771
– Research and Development	491	–	491
Royalties (note (a))	4,890	–	4,890
	30,215	197,761	227,976
Third parties	29,724	192,277	222,001
Related parties (Note 23(i))	491	5,484	5,975
	30,215	197,761	227,976

Notes:

(a) Goods – Marketed Products and royalties relate to revenue from an oncology drug developed by the Oncology/Immunology segment and launched into the market.

(b) Relates to the proportionate amount of milestone payment allocated to the license to the commercialization rights of an oncology drug compound transferred at the inception date of the relevant license and collaboration contract. During the year ended December 31, 2018, the Group received a milestone of US$13.5 million, of which US$12.1 million was allocated to licenses and US$1.4 million was allocated to services.

The following table presents liability balances from contracts with customers:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Deferred revenue			
Current – Oncology/Immunology segment (note (a))	2,353	1,753	1,450
Current – Other Ventures segment (note (b))	187	353	147
	2,540	2,106	1,597
Non-current – Oncology/Immunology segment (note (a))	408	133	484
Total deferred revenue (note (c) and (d))	2,948	2,239	2,081

Notes:

(a) Oncology/Immunology segment deferred revenue relates to the unamortized upfront and milestone payments and advance consideration received for cost reimbursements, which are attributed to research and development services that have not yet been rendered as at the reporting date.

(b) Other Ventures segment deferred revenue relates to payments in advance from customers for goods that have not been transferred and services that have not been rendered to the customer as at the reporting date.

(c) Estimated deferred revenue to be recognized over time as from the date indicated is as follows:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Not later than 1 year	2,540	2,106	1,597
Between 1 to 2 years	390	133	211
Between 2 to 3 years	18	–	205
Between 3 to 4 years	–	–	68
	2,948	2,239	2,081

(d) As at January 1, 2020, deferred revenue was US$2.2 million, of which US$0.9 million was recognized during the year ended December 31, 2020.

License and collaboration agreement with Eli Lilly

On October 8, 2013, the Group entered into a licensing, co-development and commercialization agreement in China with Eli Lilly and Company ("Lilly") relating to Elunate ("Lilly Agreement"), also known as fruquintinib, a targeted oncology therapy for the treatment of various types of solid tumors. Under the terms of the Lilly Agreement, the Group is entitled to receive a series of payments up to US$86.5 million, including upfront payments and development and regulatory approval milestones. Development costs after the first development milestone are shared between the Group and Lilly. Elunate was successfully commercialized in China in November 2018, and the Group receives tiered royalties in the range of 15% to 20% on all sales in China.

In December 2018, the Group entered into various amendments to the Lilly Agreement (the "2018 Amendment"). Under the terms of the 2018 Amendment, the Group is entitled to determine and conduct future life cycle indications ("LCI") development of Elunate in China beyond the three initial indications specified in the Lilly Agreement and will be responsible for all associated development costs. In return, the Group will receive additional regulatory approval milestones of US$20 million for each LCI approved, for up to three LCI or US$60 million in aggregate, and will increase tiered royalties to a range of 15% to 29% on all Elunate sales in China upon the commercial launch of the first LCI. Additionally, through the 2018 Amendment, Lilly has provided consent, and freedom to operate, for the Group to enter into joint development collaborations with certain third-party pharmaceutical companies to explore combination treatments of Elunate and various immunotherapy agents. The 2018 Amendment also provided the Group rights to promote Elunate in provinces that represent 30% to 40% of the sales of Elunate in China upon the occurrence of certain commercial milestones by Lilly. Such rights were further amended below.

In July 2020, the Group entered an amendment to the Lilly Agreement (the "2020 Amendment") relating to the expansion of the Group's role in the commercialization of Elunate across all of China. Under the terms of the 2020 Amendment, the Group is responsible for providing promotion and marketing services, including the development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities, in return for service fees on sales of Elunate made by Lilly. In October 2020, the Group commenced such promotion and marketing services. In addition, development and regulatory approval milestones for an initial indication under the Lilly Agreement were increased by US$10 million in lieu of cost reimbursement.

Upfront and cumulative milestone payments according to the Lilly Agreement received up to December 31, 2020 are summarized as follows:

	(in US$'000)
Upfront payment	6,500
Development milestone payments achieved	40,000

Under ASC 606, the Group identified the following performance obligations under the Lilly Agreement: (1) the license for the commercialization rights to Elunate and (2) the research and development services for the specified indications. The transaction price includes the upfront payment, research and development cost reimbursements, milestone payments and sales-based royalties. Milestone payments were not included in the transaction price until it became probable that a significant reversal of revenue would not occur, which is generally when the specified milestone is achieved. The allocation of the transaction price to each performance obligation was based on the relative standalone selling prices of each performance obligation determined at the inception of the contract. Based on this estimation, proportionate amounts of transaction price to be allocated to the license to Elunate and the research and development services were 90% and 10% respectively. Control of the license to Elunate transferred at the inception date of the agreement and consequently, amounts allocated to this performance obligation were recognized at inception. Conversely, research and development services for each specified indication are performed over time and amounts allocated are recognized over time using the prior and estimated future development costs for Elunate as a measure of progress. Royalties are recognized as future sales occur as they meet the requirements for the sales-usage based royalty exception.

The 2018 Amendment is a separate contract under ASC 606 as it added distinct research and development services for the LCIs to the Lilly Agreement. As at December 31, 2020, no LCI regulatory approval milestones were achieved. The 2020 Amendment related to the promotion and marketing services is a separate contract under ASC 606 as it added distinct services to the Lilly Agreement. Such promotion and marketing services are recognized over time based on amounts that can be invoiced to Lilly. The 2020 Amendment related to the additional development and regulatory approval milestone amounts is a modification under ASC 606 as it only affected the transaction price of research and development services for a specific indication under the Lilly Agreement, and therefore, such additional milestone amounts will be included in the transaction price accounted under the Lilly Agreement once the specified milestones are achieved. As at December 31, 2020, no additional development and regulatory approval milestone amounts were achieved.

Revenue recognized under the Lilly Agreement by transaction price type is as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Research and development cost reimbursements	9,309	3,910	1,876
Amortization of the upfront payment	122	88	83
Recognition and amortization of the milestone payments (note)	13,849	7	32
Royalties	261	2,653	4,890
Goods – Marketed Products	3,324	8,113	11,329
Promotion and marketing services	–	–	3,734
	26,865	14,771	21,944

Note: During the year ended December 31, 2018, the Group achieved milestones in relation to the acceptance and approval respectively, of a new drug application by the National Medical Products Administration of China for Elunate as a treatment of patients with advanced colorectal cancer. During the years ended December 31, 2019 and 2020, no milestones were achieved.

License and collaboration agreement with AstraZeneca

On December 21, 2011, the Group and AstraZeneca AB (publ) ("AZ") entered into a global licensing, co-development, and commercialization agreement for savolitinib ("AZ Agreement"), a novel targeted therapy and a highly selective inhibitor of the c-Met receptor tyrosine kinase for the treatment of cancer. Under the terms of the AZ Agreement, the Group is entitled to receive a series of payments up to US$140 million, including upfront payments and development and first-sale milestones. Additionally, the AZ Agreement contains possible significant future commercial sale milestones. Should savolitinib be successfully commercialized outside China, the Group would receive tiered royalties from 9% to 13% on all sales outside of China. Should savolitinib be successfully commercialized in China, the Group would receive fixed royalties of 30% based on all sales in China. Development costs for savolitinib in China will be shared between the Group and AZ, with the Group continuing to lead the development in China. AZ will lead and pay for the development of savolitinib for the rest of the world.

In August 2016 (as amended in December 2020), the Group entered into an amendment to the AZ Agreement whereby the Group shall pay the first approximately US$50 million of phase III clinical trial costs related to developing savolitinib for renal cell carcinoma ("RCC"), and remaining costs will be shared between the Group and AZ. Subject to approval of savolitinib in RCC, the Group would receive additional tiered royalties on all sales outside of China, with the incremental royalty rates determined based on actual sharing of development costs.

Upfront and cumulative milestone payments according to the AZ Agreement received up to December 31, 2020 are summarized as follows:

	(in US$'000)
Upfront payment	20,000
Development milestone payments achieved	25,000

Under ASC 606, the Group identified the following performance obligations under the AZ Agreement: (1) the license for the commercialization rights to savolitinib and (2) the research and development services for the specified indications. The transaction price includes the upfront payment, research and development cost reimbursements, milestone payments and sales-based royalties. Milestone payments were not included in the transaction price until it became probable that a significant reversal of revenue would not occur, which is generally when the specified milestone is achieved. The allocation of the transaction price to each performance obligation was based on the relative standalone selling prices of each performance obligation determined at the inception of the contract. Based on this estimation, proportionate amounts of transaction price to be allocated to the license to savolitinib and the research and development services were 95% and 5% respectively. Control of the license to savolitinib transferred at the inception date of the agreement and consequently, amounts allocated to this performance obligation were recognized at inception. Conversely, research and development services for each specified indication are performed over time and amounts allocated are recognized over time using the prior and estimated future development costs for savolitinib as a measure of progress.

Revenue recognized under the AZ Agreement by transaction price type is as follows:

	Year Ended December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Research and development cost reimbursements	5,876	10,883	8,289
Amortization of the upfront payment (note (a))	273	302	(330)
Recognition and amortization of the milestone payments (note (a) and (b))	387	342	(179)
	6,536	11,527	7,780

Notes:

(a) During the year ended December 31, 2020, estimated costs inputs used for the measure of progress was adjusted to reflect the additional estimated development costs for phase III clinical trial costs for RCC.

(b) During the years ended December 31, 2018, 2019 and 2020, no milestones were achieved.

21. Research and Development Expenses

Research and development expenses are summarized as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Clinical trial related costs	73,693	87,777	105,869
Personnel compensation and related costs	35,340	46,246	63,542
Other research and development expenses	5,128	4,167	5,365
	114,161	138,190	174,776

The Group has entered into multiple collaborative arrangements under ASC 808 to evaluate the combination of the Group's drug compounds with the collaboration partners' drug compounds. For the years ended December 31, 2018, 2019 and 2020, the Group has incurred research and development expenses of nil, US$2,921,000 and US$8,291,000 respectively, related to such collaborative arrangements.

22. Government Grants

Government grants in the Oncology/Immunology segment are primarily given in support of R&D activities and are conditional upon i) the Group spending a predetermined amount, regardless of success or failure of the research and development projects and/or ii) the achievement of certain stages of research and development projects being approved by the relevant PRC government authority. They are refundable to the government if the conditions, if any, are not met. Government grants in the Other Ventures segment are primarily given to promote local initiatives. These government grants may be subject to ongoing reporting and monitoring by the government over the period of the grant.

Government grants, which are deferred and recognized in the consolidated statements of operations over the period necessary to match them with the costs that they are intended to compensate, are recognized in other payable, accruals and advance receipts (Note 15) and other non-current liabilities. For the years ended December 31, 2018, 2019 and 2020, the Group received government grants of US$1,798,000, US$8,742,000 and US$4,724,000 respectively.

The government grants were recognized in the consolidated statements of operations as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Research and development expenses	1,422	6,133	1,607
Other income	573	780	539
	1,995	6,913	2,146

23. Significant Transactions with Related Parties and Non-Controlling Shareholders of Subsidiaries

The Group has the following significant transactions with related parties and non-controlling shareholders of subsidiaries, which were carried out in the normal course of business at terms determined and agreed by the relevant parties:

(i) Transactions with related parties:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Sales to:			
Indirect subsidiaries of CK Hutchison	8,306	7,637	5,484
Revenue from research and development services from:			
An equity investee	7,832	494	491
Purchases from:			
Equity investees	2,827	2,465	3,347
Rendering of marketing services from:			
Indirect subsidiaries of CK Hutchison	546	430	332
An equity investee	12,703	2,682	–
	13,249	3,112	332
Rendering of management services from:			
An indirect subsidiary of CK Hutchison	922	931	955

(ii) Balances with related parties included in:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Accounts receivable – related parties			
Indirect subsidiaries of CK Hutchison (note (a))	2,709	1,844	1,222
An equity investee (note (a))	73	–	–
	2,782	1,844	1,222
Amounts due from related parties			
Equity investees (note (a) and (b))	889	24,623	1,142
Amount due from a related party			
An equity investee (note (a) and (b))	–	16,190	–
Accounts payable			
An equity investee (note (a))	6,507	–	–
Amounts due to a related party			
An indirect subsidiary of CK Hutchison (note (c))	432	366	401
Other deferred income			
An equity investee (note (d))	1,356	1,103	950

Notes:

(a) Balances with related parties are unsecured, repayable on demand and interest-free. The carrying values of balances with related parties approximate their fair values due to their short-term maturities. Accounts receivable and accounts payable relate to balances which are trade in nature while other balances are non-trade in nature.

(b) As at December 31, 2018, 2019 and 2020, the Group had dividend receivables from an equity investee of nil, US$39,671,000 and nil respectively.

(c) Amounts due to an indirect subsidiary of CK Hutchison are non-trade in nature and unsecured, repayable on demand and interest-bearing if not settled within one month.

(d) Other deferred income represents amounts recognized from granting of promotion and marketing rights.

(iii) Transactions with non-controlling shareholders of subsidiaries:

	Year Ended December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Sales	19,981	27,343	36,500
Purchases	15,568	13,380	13,936
Interest expense	62	–	–
Dividends declared	2,564	–	1,462

(iv) Balances with non-controlling shareholders of subsidiaries included in:

	December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Accounts receivable	5,070	5,228	6,184
Accounts payable	4,960	4,363	4,856
Other payables, accruals and advance receipts			
Dividend payable	1,282	–	–
Other non-current liabilities			
Loan	579	579	579

24. Income Taxes

(i) Income tax expense

	Year Ended December 31,		
	2018	**2019**	**2020**
		(in US$'000)	
Current tax			
HK (note (a))	436	321	457
PRC (note (b))	1,293	708	872
U.S. and others (note (c))	235	636	219
Total current tax	1,964	1,665	1,548
Deferred income tax	2,000	1,609	3,281
Income tax expense	3,964	3,274	4,829

Notes:

(a) The Company, three subsidiaries incorporated in the British Virgin Islands and its Hong Kong subsidiaries are subject to Hong Kong profits tax. In March 2018, the Hong Kong two-tiered profits tax rates regime was signed into law under which the first HK$2.0 million (US$0.3 million) of assessable profits of qualifying corporations will be taxed at 8.25%, with the remaining assessable profits taxed at 16.5%. Hong Kong profits tax has been provided for at the relevant rates on the estimated assessable profits less estimated available tax losses, if any, of these entities as applicable.

(b) Taxation in the PRC has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses, if any, in each entity. Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate is 25%. In addition, the EIT Law provides for a preferential tax rate of 15% for companies which qualify as HNTE. HMPL and its wholly-owned subsidiary Hutchison MediPharma (Suzhou) Limited qualify as a HNTE up to December 31, 2022 and 2020 respectively.

Pursuant to the EIT law, a 10% withholding tax is levied on dividends paid by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable under the China-HK Tax Arrangement if direct foreign investors with at least 25% equity interest in the PRC companies are Hong Kong tax residents, and meet the conditions or requirements pursuant to the relevant PRC tax regulations regarding beneficial ownership. Since the equity holders of the equity investees of the Company are Hong Kong incorporated companies and Hong Kong tax residents, and meet the aforesaid conditions or requirements, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed. As at December 31, 2018, 2019 and 2020, the amounts accrued in deferred tax liabilities relating to withholding tax on dividends were determined on the basis that 100% of the distributable reserves of the equity investees operating in the PRC will be distributed as dividends.

(c) The Company's subsidiary in the U.S. with operations in New Jersey and New York states is subject to U.S. taxes, primarily federal and state taxes, which have been provided for at approximately 21% (federal) and 9% to 16.55% (state tax) on the estimated assessable profit over the reporting years. Certain income receivable by the Company is subject to U.S. withholding tax of 30%. One of the Group's subsidiaries is subject to corporate tax in EU countries at 20% or 19% on the estimated assessable profits in relation to its permanent establishment in these countries in 2019 and/or 2020.

The reconciliation of the Group's reported income tax expense to the theoretical tax amount that would arise using the tax rates of the Company against the Group's loss before income taxes and equity in earnings of equity investees is as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Loss before income taxes and equity in earnings of equity investees	(86,655)	(141,105)	(189,734)
Tax calculated at the statutory tax rate of the Company	(14,298)	(23,282)	(31,306)
Tax effects of:			
Different tax rates available in different jurisdictions	1,349	2,027	4,025
Tax valuation allowance	19,414	25,498	46,321
Preferential tax rate difference	–	(177)	(154)
Preferential tax deduction and credits	(5,800)	(5,444)	(18,814)
Expenses not deductible for tax purposes	1,902	4,098	3,476
Utilization of previously unrecognized tax losses	(329)	(285)	(114)
Withholding tax on undistributed earnings of PRC entities	1,983	1,894	3,962
Others	(257)	(1,055)	(2,567)
Income tax expense	3,964	3,274	4,829

(ii) Deferred tax assets and liabilities

The significant components of deferred tax assets and liabilities are as follows:

	December 31,		
	2018	2019	2020
		(in US$'000)	
Deferred tax assets			
Tax losses	48,046	68,481	117,064
Others	1,555	1,733	6,829
Total deferred tax assets	49,601	70,214	123,893
Less: Valuation allowance	(49,021)	(69,399)	(122,378)
Deferred tax assets	580	815	1,515
Deferred tax liabilities			
Undistributed earnings from PRC entities	4,728	3,081	4,994
Others	108	77	69
Deferred tax liabilities	4,836	3,158	5,063

The movements in deferred tax assets and liabilities are as follows:

	2018	2019	2020
		(in US$'000)	
As at January 1	(3,819)	(4,256)	(2,343)
Utilization of previously recognized withholding tax on undistributed earnings	1,373	3,390	2,323
(Charged)/Credited to the consolidated statements of operations			
Withholding tax on undistributed earnings of PRC entities	(1,983)	(1,894)	(3,962)
Deferred tax on amortization of intangible assets	19	18	18
Deferred tax on provision for assets	(36)	267	663
Exchange differences	190	132	(247)
As at December 31	(4,256)	(2,343)	(3,548)

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority.

The tax losses can be carried forward against future taxable income and will expire in the following years:

	December 31,		
	2018	2019	2020
		(in US$'000)	
No expiry date	52,866	40,897	53,940
2021	9	–	–
2022	182	182	195
2023	–	–	–
2024	4,081	3,716	3,998
2025	34,319	35,648	38,357
2026	48,328	47,661	51,034
2027	63,303	62,794	66,555
2028	111,753	106,793	114,490
2029	–	154,454	186,844
2030	–	–	259,163
	314,841	452,145	774,576

The Company believes that it is more likely than not that future operations will not generate sufficient taxable income to realize the benefit of the deferred tax assets. The Company's subsidiaries have had sustained tax losses, which will expire within five years if not utilized in the case of PRC subsidiaries (ten years for HNTEs), and which will not be utilized in the case of Hong Kong subsidiaries as they do not generate taxable profits. Accordingly, a valuation allowance has been recorded against the relevant deferred tax assets arising from the tax losses.

The table below summarizes changes in the deferred tax valuation allowance:

	2018	2019	2020
		(in US$'000)	
As at January 1	31,662	49,021	69,399
Charged to consolidated statements of operations	19,414	25,498	46,321
Utilization of previously unrecognized tax losses	(329)	(285)	(114)
Write-off of tax losses	–	(3,142)	–
Others	(105)	–	–
Exchange differences	(1,621)	(1,693)	6,772
As at December 31	49,021	69,399	122,378

As at December 31, 2019 and 2020, the Group did not have any material unrecognized uncertain tax positions.

(iii) Income tax payable

	2018	2019	2020
		(in US$'000)	
As at January 1	979	555	1,828
Current tax	1,964	1,665	1,548
Withholding tax upon dividend declaration from PRC entities (note (a))	1,373	2,581	2,323
Tax paid (note (b))	(3,752)	(2,970)	(5,940)
Reclassification from non-current withholding tax	–	–	812
Reclassification to prepaid tax	–	–	485
Exchange difference	(9)	(3)	64
As at December 31	555	1,828	1,120

Notes:

(a) The amount for 2019 excludes a non-current withholding tax of US$0.8 million which is included under other non-current liabilities.

(b) The amount for 2019 excludes the PRC Enterprise Income Tax ("EIT") of US$0.3 million prepaid by Hutchison Sinopharm which is included under other receivables, prepayments and deposits. The amount for 2020 is net of the PRC EIT refund of US$0.4 million received by Hutchison Sinopharm.

25. Losses Per Share

(i) Basic losses per share

Basic losses per share is calculated by dividing the net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue during the year. Treasury shares held by the Trustee are excluded from the weighted average number of outstanding ordinary shares in issue for purposes of calculating basic losses per share.

	Year Ended December 31,		
	2018	**2019**	**2020**
Weighted average number of outstanding ordinary shares in issue	664,263,820	665,683,145	697,931,437
Net loss attributable to the Company (US$'000)	(74,805)	(106,024)	(125,730)
Losses per share attributable to the Company (US$ per share)	(0.11)	(0.16)	(0.18)

(ii) Diluted losses per share

Diluted losses per share is calculated by dividing net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue and dilutive ordinary share equivalents outstanding during the year. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share option, LTIP awards and warrants issued by the Company using the treasury stock method.

For the years ended December 31, 2018, 2019 and 2020, the share options, LTIP awards and warrants issued by the Company were not included in the calculation of diluted losses per share because of their anti-dilutive effect. Therefore, diluted losses per share were equal to basic losses per share for the years ended December 31, 2018, 2019 and 2020.

26. Segment Reporting

The Group's operating segments are as follows:

(i) Oncology/Immunology: focuses on discovering, developing, and commercializing targeted therapies and immunotherapies for the treatment of cancer and immunological diseases. Oncology/Immunology is further segregated into two core business areas:

  (a) R&D: comprises research and development activities covering drug discovery, development, manufacturing and regulatory functions as well as administrative activities to support research and development operations; and

  (b) Marketed Products: comprises the sales, marketing, manufacture and distribution of drug developed from research and development activities.

(ii) Other Ventures: comprises other commercial businesses which include the sales, marketing, manufacture and distribution of other prescription drugs and over-the-counter pharmaceuticals as well as consumer health products.

The performance of the reportable segments is assessed based on segment operating (loss)/profit.

The segment information is as follows:

	Year Ended December 31, 2018							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Revenue from external customers	37,648	–	37,648	3,585	41,233	172,876	–	214,109
Interest income	119	–	119	–	119	141	5,718	5,978
Equity in earnings of equity investees, net of tax	(18,981)	–	(18,981)	–	(18,981)	38,314	–	19,333
Segment operating (loss)/profit	(99,992)	(4,602)	(104,594)	2,008	(102,586)	46,990	(10,717)	(66,313)
Interest expense	–	–	–	–	–	62	947	1,009
Income tax expense	39	42	81	–	81	1,662	2,221	3,964
Net (loss)/income attributable to the Company	(99,783)	(4,632)	(104,415)	2,003	(102,412)	41,372	(13,765)	(74,805)
Depreciation/amortization	3,326	8	3,334	–	3,334	195	61	3,590
Additions to non-current assets (other than financial instruments and deferred tax assets)	5,133	65	5,198	–	5,198	584	720	6,502

	December 31, 2018							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Total assets	99,528	860	100,388	–	100,388	197,483	234,247	532,118
Property, plant and equipment	15,166	57	15,223	–	15,223	693	700	16,616
Right-of-use assets	–	–	–	–	–	–	–	–
Leasehold land	1,174	–	1,174	–	1,174	–	–	1,174
Goodwill	–	–	–	–	–	3,186	–	3,186
Other intangible asset	–	–	–	–	–	347	–	347
Investments in equity investees	8,514	–	8,514	–	8,514	129,804	–	138,318

	Year Ended December 31, 2019							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Revenue from external customers	16,026	–	16,026	10,766	26,792	178,098	–	204,890
Interest income	322	–	322	–	322	109	4,513	4,944
Equity in earnings of equity investees, net of tax	147	–	147	–	147	40,553	–	40,700
Segment operating (loss)/profit	(111,518)	(21,785)	(133,303)	5,887	(127,416)	45,255	(17,214)	(99,375)
Interest expense	–	–	–	–	–	–	1,030	1,030
Income tax expense	63	197	260	–	260	939	2,075	3,274
Net (loss)/income attributable to the Company	(111,308)	(21,926)	(133,234)	5,872	(127,362)	41,488	(20,150)	(106,024)
Depreciation/amortization	4,448	62	4,510	–	4,510	264	168	4,942
Additions to non-current assets (other than financial instruments and deferred tax assets)	8,602	1,308	9,910	–	9,910	2,772	148	12,830

	December 31, 2019							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Total assets	93,332	4,452	97,784	813	98,597	170,891	195,634	465,122
Property, plant and equipment	18,907	515	19,422	–	19,422	789	644	20,855
Right-of-use assets	1,584	861	2,445	–	2,445	2,466	605	5,516
Leasehold land	1,110	–	1,110	–	1,110	–	–	1,110
Goodwill	–	–	–	–	–	3,112	–	3,112
Other intangible asset	–	–	–	–	–	275	–	275
Investments in equity investees	447	–	447	–	447	98,497	–	98,944

	Year Ended December 31, 2020							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Revenue from external customers	10,262	–	10,262	19,953	30,215	197,761	–	227,976
Interest income	461	–	461	–	461	167	2,608	3,236
Equity in earnings of equity investees, net of tax	(97)	–	(97)	–	(97)	79,143	–	79,046
Segment operating (loss)/profit	(119,740)	(63,482)	(183,222)	7,607	(175,615)	83,888	(18,174)	(109,901)
Interest expense	–	–	–	–	–	–	787	787
Income tax expense/(credit)	402	(642)	(240)	167	(73)	824	4,078	4,829
Net (loss)/income attributable to the Company	(120,096)	(62,683)	(182,779)	7,282	(175,497)	72,785	(23,018)	(125,730)
Depreciation/amortization	5,458	119	5,577	–	5,577	292	192	6,061
Additions to non-current assets (other than financial instruments and deferred tax assets)	22,574	754	23,328	–	23,328	817	1,090	25,235

	December 31, 2020							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Total assets	127,637	9,957	137,594	5,728	143,322	231,234	349,562	724,118
Property, plant and equipment	22,554	454	23,008	–	23,008	688	474	24,170
Right-of-use assets	2,782	1,375	4,157	–	4,157	2,582	1,277	8,016
Leasehold land	13,121	–	13,121	–	13,121	–	–	13,121
Goodwill	–	–	–	–	–	3,307	–	3,307
Other intangible asset	–	–	–	–	–	227	–	227
Investments in equity investees	385	–	385	–	385	139,120	–	139,505

Revenue from external customers is after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The amount eliminated attributable to sales between Oncology/Immunology segment and Other Ventures segment was nil, US$3,354,000 and US$17,059,000 for the years ended December 31, 2018, 2019 and 2020 respectively.

There was one customer, under Oncology/Immunology segment (with revenue of US$26,865,000), which accounted for over 10% of the Group's revenue for the year ended December 31, 2018. There was one customer, under Other Ventures segment (with revenue of US$27,343,000), which accounted for over 10% of the Group's revenue for the year ended December 31, 2019. There were two customers under Other Ventures segment (with aggregate revenue of US$62,493,000), which accounted for over 10% of the Group's revenue for the year ended December 31, 2020.

Unallocated expenses mainly represent corporate expenses which include corporate employee benefit expenses and the relevant share-based compensation expenses. Unallocated assets mainly comprise cash and cash equivalents and short-term investments.

A reconciliation of segment operating loss to net loss is as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Segment operating loss	(66,313)	(99,375)	(109,901)
Interest expense	(1,009)	(1,030)	(787)
Income tax expense	(3,964)	(3,274)	(4,829)
Net loss	(71,286)	(103,679)	(115,517)

27. Note to Consolidated Statements of Cash Flows

Reconciliation of net loss for the year to net cash used in operating activities:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Net loss	(71,286)	(103,679)	(115,517)
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization of finance costs	76	195	43
Depreciation and amortization	3,590	4,942	6,061
Gain from purchase of a subsidiary	–	(17)	–
Loss on retirement of property, plant and equipment	33	17	85
Provision for excess and obsolete inventories	37	316	65
Provision for credit losses	(202)	(25)	77
Share-based compensation expense – share options	7,903	7,173	8,737
Share-based compensation expense – LTIP	2,227	4,419	10,905
Equity in earnings of equity investees, net of tax	(19,333)	(40,700)	(79,046)
Dividends received from SHPL and HBYS	35,218	28,135	86,708
Changes in right-of-use assets	–	224	(2,197)
Unrealized currency translation loss/(gain)	1,515	1,679	(6,149)
Changes in income tax balances	212	304	(1,111)
Changes in working capital			
Accounts receivable – third parties	(1,564)	(1,209)	(5,315)
Accounts receivable – related parties	1,078	938	622
Other receivables, prepayments and deposits	(2,385)	(2,452)	(9,602)
Amounts due from related parties	27	(282)	–
Inventories	(557)	(4,215)	(3,623)
Long-term prepayment	292	253	153
Accounts payable	1,260	(1,664)	7,651
Other payables, accruals and advance receipts	16,286	26,019	37,437
Lease liabilities	–	(101)	2,258
Deferred revenue	(239)	(709)	(158)
Amounts due to related parties	(6,589)	(66)	35
Other	(446)	(407)	(185)
Total changes in working capital	7,163	16,105	29,273
Net cash used in operating activities	(32,847)	(80,912)	(62,066)

28. Litigation

From time to time, the Group may become involved in litigation relating to claims arising from the ordinary course of business. The Group believes that there are currently no claims or actions pending against the Group, the ultimate disposition of which could have a material adverse effect on the Group's results of operations, financial position or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. When an unfavorable outcome occurs, there exists the possibility of a material adverse impact on the Group's financial position and results of operations for the periods in which the unfavorable outcome occurs, and potentially in future periods.

On May 17, 2019, Luye Pharma Hong Kong Ltd. ("Luye") issued a notice to the Group purporting to terminate a distribution agreement that granted the Group exclusive commercial rights to Seroquel in the PRC for failure to meet a pre-specified target. The Group disagrees with this assertion and believes that Luye have no basis for termination. As a result, the Group commenced confidential legal proceedings in 2019 in order to seek damages. As at December 31, 2020, the legal proceedings are still in progress. Accordingly, no adjustment has been made to Seroquel-related balances as at December 31, 2020, including accounts receivable, long-term prepayment, accounts payable and other payables of US$1.2 million, US$1.0 million, US$0.9 million and US$1.2 million respectively.

29. Restricted Net Assets

Relevant PRC laws and regulations permit payments of dividends by the Company's subsidiaries in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries in the PRC are required to make certain appropriations of net after-tax profits or increases in net assets to the statutory surplus fund prior to payment of any dividends. In addition, registered share capital and capital reserve accounts are restricted from withdrawal in the PRC, up to the amount of net assets held in each subsidiary. As a result of these and other restrictions under PRC laws and regulations, the Company's subsidiaries in the PRC are restricted in their ability to transfer their net assets to the Group in terms of cash dividends, loans or advances, with restricted portions amounting to US$7.4 million, US$0.3 million and US$0.2 million as at December 31, 2018, 2019 and 2020 respectively, which excludes the Company's subsidiaries with a shareholders' deficit. Even though the Group currently does not require any such dividends, loans or advances from the PRC subsidiaries, for working capital and other funding purposes, the Group may in the future require additional cash resources from the Company's subsidiaries in the PRC due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends to make distributions to shareholders.

In addition, the Group has certain investments in equity investees in the PRC, where the Group's equity in undistributed earnings amounted to US$92.2 million, US$61.6 million and US$99.9 million as at December 31, 2018, 2019 and 2020 respectively.

30. Note to Company Balance Sheets (parent company only)

(i) Amounts due from/to subsidiaries

Amounts due from/to subsidiaries are unsecured and repayable on demand.

(ii) Other shareholders' equity

Particulars regarding movements in reserves in the Company balance sheets (parent company only) are the same as set forth in the consolidated statements of changes in shareholders' equity.

31. Dividends

No dividend has been paid or declared by the Company since its incorporation.

32. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Fees	848	848	848
Other remuneration			
Salaries, allowances and benefits in kind	943	1,001	1,093
Pension contributions	75	79	89
Performance related bonuses	1,866	2,042	2,005
Share-based compensation expenses (note)	1,958	1,911	3,336
	4,842	5,033	6,523
	5,690	5,881	7,371

Note: During the Track Record Period, certain directors were granted share options and LTIP awards in respect of their services to the Group, under the share option schemes and LTIP of the Company, further details of which are set out in Note 19. The share-based compensation expenses were recognized in the consolidated statements of operations during the Track Record Period.

(i) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Paul Carter	113	117	117
Karen Ferrante	103	103	103
Graeme Jack	104	104	104
Tony Mok	84	84	84
	404	408	408

There were no other remunerations payable to independent non-executive directors during the Track Record Period.

The share-based compensation expenses of the independent non-executive directors were as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Paul Carter	–	–	73
Karen Ferrante	–	–	73
Graeme Jack	–	–	73
Tony Mok	–	–	73
	–	–	292

(ii) Executive directors and non-executive directors

	Year Ended December 31, 2018					
	Fees	Salaries, allowances and benefits in kind	Pension contributions	Performance related bonuses	Share-based compensation	Total
	(in US$'000)					
Executive directors						
Simon To	84	–	–	–	–	84
Christian Hogg	75	381	28	846	239	1,569
Johnny Cheng	70	279	25	308	88	770
Wei-guo Su	75	283	22	712	1,631	2,723
	304	943	75	1,866	1,958	5,146
Non-executive directors						
Dan Eldar	70	–	–	–	–	70
Edith Shih	70	–	–	–	–	70
	140	–	–	–	–	140
	444	943	75	1,866	1,958	5,286

	Year Ended December 31, 2019					
	Fees	Salaries, allowances and benefits in kind	Pension contributions	Performance related bonuses	Share-based compensation	Total
	(in US$'000)					
Executive directors						
Simon To	80	–	–	–	–	80
Christian Hogg	75	401	29	936	399	1,840
Johnny Cheng	70	309	26	365	155	925
Wei-guo Su	75	291	24	741	1,357	2,488
	300	1,001	79	2,042	1,911	5,333
Non-executive directors						
Dan Eldar	70	–	–	–	–	70
Edith Shih	70	–	–	–	–	70
	140	–	–	–	–	140
	440	1,001	79	2,042	1,911	5,473

	Year Ended December 31, 2020					
	Fees	Salaries, allowances and benefits in kind	Pension contributions	Performance related bonuses	Share-based compensation	Total
	(in US$'000)					
Executive directors						
Simon To	80	–	–	–	73	153
Christian Hogg	75	411	30	897	1,012	2,425
Johnny Cheng	70	320	27	372	341	1,130
Wei-guo Su	75	362	32	736	1,472	2,677
	300	1,093	89	2,005	2,898	6,385
Non-executive directors						
Dan Eldar	70	–	–	–	73	143
Edith Shih	70	–	–	–	73	143
	140	–	–	–	146	286
	440	1,093	89	2,005	3,044	6,671

33. Five Highest-Paid Employees

The five highest-paid employees during the Track Record Period included the following number of directors and non-directors:

	Year Ended December 31,		
	2018	2019	2020
Directors	3	3	3
Non-directors	2	2	2
	5	5	5

Details of the remuneration for the Track Record Period of the five highest-paid employees who are non-directors (the "Non-director Individuals") were as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Salaries, allowances and benefits in kind	548	643	715
Pension contributions	47	36	48
Performance related bonuses	1,342	511	735
Share-based compensation expenses (note)	475	953	1,104
	2,412	2,143	2,602

Note: During the Track Record Period, the Non-director Individuals were granted share options and LTIP awards in respect of their services to the Group, under the share option schemes and LTIP of the Company, further details of which are set out in Note 19. The share-based compensation expenses were recognized in the consolidated statements of operations during the Track Record Period.

The number of Non-director Individuals whose remuneration fell within the following bands is as follows:

	Year Ended December 31,		
	2018	2019	2020
HK$7,500,000 to HK$8,000,000	–	1	–
HK$8,500,000 to HK$9,000,000	1	–	–
HK$9,000,000 to HK$9,500,000	–	1	–
HK$10,000,000 to HK$10,500,000	1	–	2
	2	2	2

During the Track Record Period, no remuneration was paid by the Group to any directors or Non-director Individuals as an inducement to join the Group or as compensation for loss of office. Additionally, none of the directors or Non-director Individuals have waived any remuneration during the Track Record Period.

34. Subsequent Events

The Group evaluated subsequent events through June 18, 2021, which is the date when the Historical Financial Information were issued.

In January 2021, the Group entered into a contract with a third party contractor for approximately US$46.8 million in connection with the construction of a factory in Shanghai.

In March 2021, the Group entered into a sale and purchase agreement (the "SPA") with a third party (the "Buyer") to sell its entire investment in HBYS with closing subject to PRC regulatory review. As part of the divestment, the Group is entitled to (a) cash consideration of US$159.1 million, which includes US$15.9 million deposit collected upon the signing of the SPA and the remainder due upon closing and (b) US$52.3 million related to distributions of prior year undistributed profits and a land bonus payment (Note 12). The amounts to be received under (a) and (b) aggregate to US$211.4 million of which the amounts attributable to the Company are US$169.1 million.

In April 2021, the Company issued 16,393,445 ordinary shares to a third party for gross proceeds of US$100.0 million through a PIPE.

35. Reconciliation between U.S. GAAP and International Financial Reporting Standards

The Historical Financial Information is prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRS"). The effects of material differences prepared under U.S. GAAP and IFRS are as follows:

	Year Ended December 31,		
	2018	2019	2020
		(in US$'000)	
Reconciliation of net loss attributable to the Company in the consolidated statements of operations			
Net loss attributable to the Company as reported under U.S. GAAP	(74,805)	(106,024)	(125,730)
IFRS adjustments:			
Leases amortization (note (a))	–	50	29
Issuance costs (note (b))	–	–	860
Net loss attributable to the Company as reported under IFRS	(74,805)	(105,974)	(124,841)

	December 31,		
	2018	2019	2020
		(in US$'000)	
Reconciliation of total shareholders' equity in the consolidated balance sheets			
Total shareholders' equity as reported under U.S. GAAP	412,255	312,903	518,949
IFRS adjustments:			
Leases amortization (note (a))	–	(165)	(162)
Issuance costs (note (b))	–	–	860
LTIP classification (note (c))	1,235	3,403	7,089
Total shareholders' equity as reported under IFRS	413,490	316,141	526,736

	December 31,		
	2018	2019	2020
		(in US$'000)	
Reconciliation of total Company's shareholders' equity in the Company balance sheets (parent company only)			
Total Company's shareholders' equity as reported under U.S. GAAP	388,996	288,012	484,116
IFRS adjustments:			
Leases amortization (note (a))	–	(143)	(120)
Issuance costs (note (b))	–	–	860
LTIP classification (note (c))	1,235	3,403	7,089
Total Company's shareholders' equity as reported under IFRS	390,231	291,272	491,945

Notes:

(a) Leases amortization

Under U.S. GAAP, for operating leases, the amortization of right-of-use assets and the interest expense element of lease liabilities are recorded together as lease expenses, which results in a straight-line recognition effect in the consolidated statements of operations. Under IFRS, all leases are accounted for like finance leases where right-of-use assets are generally depreciated on a straight-line basis while lease liabilities are measured under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of operations of less than US$0.1 million for the years ended December 31, 2019 and 2020 and a difference in total shareholders' equity under IFRS of US$0.2 million as at December 31, 2019 and 2020.

(b) Issuance costs

Under U.S. GAAP and IFRS, there are differences in the criteria for capitalization of issuance costs incurred in the offering of equity securities. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of operations of US$0.9 million for the year ended December 31, 2020 and a difference in total shareholders' equity of US$0.9 million as at December 31, 2020 in relation to capital market activities.

(c) LTIP classification

Under U.S. GAAP, LTIP awards with performance conditions are classified as liability-settled awards prior to the determination date as they settle in a variable number of shares based on a determinable monetary amount, which is determined upon the actual achievement of performance targets. After the determination date, the LTIP awards are reclassified as equity-settled awards.

Under IFRS, LTIP awards are classified as equity-settled awards, both prior to and after the determination date, as they are ultimately settled in ordinary shares or the equivalent ADSs of the Company instead of cash. Accordingly, the reconciliation includes a classification difference between liabilities under U.S. GAAP and total shareholders' equity under IFRS of US$1.2 million, US$3.4 million and US$7.1 million as at December 31, 2018, 2019 and 2020 respectively.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to December 31, 2020 and up to the date of this report.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2020 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company are based on the audited consolidated net tangible assets attributable to the equity holders of the Company as at December 31, 2020, as shown in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2020[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share[(5)]**	
	US$'000	**US$'000**	**US$'000**	**US$[(3)]**	**HK$[(4)]**
Based on an Offer Price of HK$45.00 per Share	482,119	569,366	1,051,485	1.26	9.86

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at December 31, 2020 has been extracted from the Accountant's Report of the Group as set out in Appendix I to this prospectus which is based on the audited consolidated net assets attributable to equity holders of the Company as at December 31, 2020 of US$484,116,000 with adjustments for goodwill and an other intangible asset (after deduction of the proportionate share of the non-controlling interest) as at December 31, 2020 of US$1,882,000 and US$115,000, respectively.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$45.00 per Share, after deduction of the underwriting fees and other related expenses payable by the Group and does not take into account any Shares which may be issued pursuant to the exercise of the Over-Allotment Option, any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares or any Shares which may be issued pursuant to the share option schemes as described in "*Share Capital*".

(3) The unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 831,722,215 Shares were in issue assuming that the Global Offering had been completed on December 31, 2020 but does not take into account any Shares which may be issued pursuant to the exercise of the Over-Allotment Option, any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares or any Shares which may be issued pursuant to the share option schemes as described in "*Share Capital*".

(4) For the purpose of this unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share, the amounts stated in U.S. dollars are converted into Hong Kong dollars at a rate of US$1.00 to HK$7.80. No representation is made that U.S. dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2020, including the proposed divestment of the entire investment in Hutchison Baiyunshan which had a carrying value of approximately US$59.7 million as at December 31, 2020 and the issuance of 16,393,445 ordinary shares to a third party for gross proceeds of US$100.0 million. Had the proposed divestment and issuance of new shares been taken into account, the unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company per Share would have increased from HK$9.86 per Share to HK$11.37 per Share based on the Offer Price of HK$45.00 per Share. The actual financial effects of the proposed divestment are to be determined based on the final amounts to be received and the carrying amount of the investment in Hutchison Baiyunshan at the completion date and are therefore subject to change upon the actual completion of the divestment.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of HUTCHMED (China) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of HUTCHMED (China) Limited (formerly known as Hutchison China MediTech Limited) (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IIA-1 to IIA-2 of the Company's prospectus dated June 18, 2021, in connection with the proposed global offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IIA-1 to IIA-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed global offering on the Group's financial position as at December 31, 2020 as if the proposed global offering had taken place at December 31, 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended December 31, 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at December 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 18, 2021

The following is the text of a report set out on pages IIB-1 to IIB-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. The information set out below is the unaudited interim financial information of the Group for the three months ended March 31, 2021, and does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF HUTCHMED (CHINA) LIMITED (INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Introduction

We have reviewed the interim financial information set out on pages IIB-3 to IIB-30, which comprises the condensed consolidated balance sheet of HUTCHMED (China) Limited (formerly known as Hutchison China MediTech Limited) (the "Company") and its subsidiaries (together, the "Group") as at March 31, 2021 and the condensed consolidated statement of operations, the condensed consolidated statement of comprehensive loss, the condensed consolidated statement of changes in shareholders' equity and the condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

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procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with U.S. GAAP.

Other Matter

The comparative information for the condensed consolidated balance sheet is based on the audited financial statements as at December 31, 2020. The comparative information for the condensed consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows, and related explanatory notes, for the period ended March 31, 2020 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 18, 2021

HUTCHMED (China) Limited
Condensed Consolidated Balance Sheets
(in US$'000, except share data)

	Note	December 31, 2020	March 31, 2021
			(Unaudited)
Assets			
Current assets			
Cash and cash equivalents	3	235,630	346,133
Short-term investments	4	199,546	49,939
Accounts receivable—third parties	5	46,648	53,128
Inventories	6	19,766	19,757
Other current assets		29,150	27,273
Total current assets		**530,740**	**496,230**
Property, plant and equipment		24,170	26,257
Right-of-use assets	7	8,016	9,849
Investments in equity investees	8	139,505	133,816
Other non-current assets		21,687	26,965
Total assets		**724,118**	**693,117**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	9	31,612	28,636
Other payables, accruals and advance receipts	10	120,882	150,332
Lease liabilities	7	2,785	3,970
Other current liabilities		3,118	5,577
Total current liabilities		**158,397**	**188,515**
Lease liabilities	7	6,064	6,529
Long-term bank borrowings	11	26,861	26,872
Other non-current liabilities		13,847	6,806
Total liabilities		**205,169**	**228,722**
Commitments and contingencies	12		
Company's shareholders' equity			
Ordinary shares; $0.10 par value; 1,500,000,000 shares authorized; 727,722,215 and 728,122,215 shares issued at December 31, 2020 and March 31, 2021 respectively		72,772	72,812
Additional paid-in capital		822,458	808,776
Accumulated losses		(415,591)	(456,742)
Accumulated other comprehensive income		4,477	3,425
Total Company's shareholders' equity		**484,116**	**428,271**
Non-controlling interests		34,833	36,124
Total shareholders' equity		**518,949**	**464,395**
Total liabilities and shareholders' equity		**724,118**	**693,117**

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

HUTCHMED (China) Limited
Condensed Consolidated Statements of Operations
(Unaudited, in US$'000, except share and per share data)

	Note	Three Months Ended March 31, 2020	2021
Revenues			
Goods—third parties		45,971	67,060
—related parties	16(i)	767	1,306
Services			
—commercialization—third parties		–	7,406
—collaboration research and development—third parties		3,618	2,706
—research and development—related parties	16(i)	121	130
Other collaboration revenue—royalties—third parties		1,093	2,948
Total revenues	14	**51,570**	**81,556**
Operating expenses			
Costs of goods—third parties		(40,778)	(54,872)
Costs of goods—related parties		(512)	(954)
Costs of services—commercialization—third parties		–	(9,114)
Research and development expenses	15	(30,511)	(57,059)
Selling expenses		(2,594)	(5,733)
Administrative expenses		(9,667)	(17,024)
Total operating expenses		**(84,062)**	**(144,756)**
		(32,492)	**(63,200)**
Other income, net of other expenses		1,172	293
Loss before income taxes and equity in earnings of equity investees		**(31,320)**	**(62,907)**
Income tax expense	17	(1,045)	(1,939)
Equity in earnings of equity investees, net of tax	8	16,939	24,993
Net loss		**(15,426)**	**(39,853)**
Less: Net income attributable to non-controlling interests		(715)	(1,290)
Net loss attributable to the Company		**(16,141)**	**(41,143)**
Losses per share attributable to the Company—basic and diluted (US$ per share)	18	(0.02)	(0.06)
Number of shares used in per share calculation—basic and diluted	18	683,855,237	723,176,387

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

HUTCHMED (China) Limited
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited, in US$'000)

	Three Months Ended March 31,	
	2020	**2021**
Net loss	**(15,426)**	**(39,853)**
Other comprehensive loss		
Foreign currency translation loss	(1,655)	(1,062)
Total comprehensive loss	**(17,081)**	**(40,915)**
Less: Comprehensive income attributable to non-controlling interests	(570)	(1,280)
Total comprehensive loss attributable to the Company	**(17,651)**	**(42,195)**

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

HUTCHMED (China) Limited
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, in US$'000, except share data in '000)

	Ordinary Shares Number	Ordinary Shares Value	Additional Paid-in Capital	Accumulated Losses	Accumulated Other Comprehensive (Loss)/Income	Total Company's Shareholders' Equity	Non-controlling Interests	Total Shareholders' Equity
As at January 1, 2020	**666,906**	**66,691**	**514,904**	**(289,734)**	**(3,849)**	**288,012**	**24,891**	**312,903**
Net (loss)/income	–	–	–	(16,141)	–	(16,141)	715	(15,426)
Issuance in relation to public offering	23,669	2,366	115,975	–	–	118,341	–	118,341
Issuance cost	–	–	(8,047)	–	–	(8,047)	–	(8,047)
Share-based compensation								
Share options	–	–	345	–	–	345	–	345
Long-term incentive plan ("LTIP")	–	–	4,200	–	–	4,200	(12)	4,188
	–	–	4,545	–	–	4,545	(12)	4,533
Transfer between reserves	–	–	10	(10)	–	–	–	–
Foreign currency translation adjustments	–	–	–	–	(1,510)	(1,510)	(145)	(1,655)
As at March 31, 2020	**690,575**	**69,057**	**627,387**	**(305,885)**	**(5,359)**	**385,200**	**25,449**	**410,649**
As at January 1, 2021	**727,722**	**72,772**	**822,458**	**(415,591)**	**4,477**	**484,116**	**34,833**	**518,949**
Net (loss)/income	–	–	–	(41,143)	–	(41,143)	1,290	(39,853)
Issuances in relation to share option exercises	400	40	202	–	–	242	–	242
Share-based compensation								
Share options	–	–	2,942	–	–	2,942	6	2,948
LTIP	–	–	9,924	–	–	9,924	5	9,929
	–	–	12,866	–	–	12,866	11	12,877
LTIP—treasury shares acquired and held by Trustee	–	–	(26,758)	–	–	(26,758)	–	(26,758)
Transfer between reserves	–	–	8	(8)	–	–	–	–
Foreign currency translation adjustments	–	–	–	–	(1,052)	(1,052)	(10)	(1,062)
As at March 31, 2021	**728,122**	**72,812**	**808,776**	**(456,742)**	**3,425**	**428,271**	**36,124**	**464,395**

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

HUTCHMED (China) Limited
Condensed Consolidated Statements of Cash Flows
(Unaudited, in US$'000)

	Note	Three Months Ended March 31, 2020	2021
Net cash used in operating activities	20	(1,757)	(22,356)
Investing activities			
Purchases of property, plant and equipment		(2,087)	(6,057)
Deposits in short-term investments		(191,764)	(49,943)
Proceeds from short-term investments		96,011	199,549
Deposit received for divestment of HBYS	8	–	15,912
Purchase of leasehold land		–	(355)
Refund of leasehold land deposit		–	930
Net cash (used in)/generated from investing activities		(97,840)	160,036
Financing activities			
Proceeds from issuance of ordinary shares		118,341	242
Purchases of treasury shares	13(ii)	–	(26,758)
Payment of issuance costs		(7,643)	(231)
Net cash generated from/(used in) financing activities		110,698	(26,747)
Net increase in cash and cash equivalents		11,101	110,933
Effect of exchange rate changes on cash and cash equivalents		(18)	(430)
		11,083	110,503
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		121,157	235,630
Cash and cash equivalents at end of period		132,240	346,133

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Business

HUTCHMED (China) Limited (formerly Hutchison China MediTech Limited) (the "Company") and its subsidiaries (together the "Group") are principally engaged in researching, developing, manufacturing and marketing pharmaceutical products. The Group and its equity investees have research and development facilities and manufacturing plants in the People's Republic of China (the "PRC") and sell their products mainly in the PRC, including Hong Kong. In addition, the Group has established international operations in the United States of America (the "U.S.") and Europe.

Liquidity

As at March 31, 2021, the Group had accumulated losses of US$456,742,000, primarily due to its spending in drug research and development activities. The Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long term. As at March 31, 2021, the Group had cash and cash equivalents of US$346,133,000, short-term investments of US$49,939,000 and unutilized bank borrowing facilities of US$69,359,000. Short-term investments comprised of bank deposits maturing over three months. The Group's operating plan includes the continued receipt of dividends from certain of its equity investees. Dividends received from equity investees for the three months ended March 31, 2020 and 2021 were US$28,270,000 and US$30,513,000 respectively.

Based on the Group's operating plan, the existing cash and cash equivalents, short-term investments and unutilized bank borrowing facilities are considered to be sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months (the look-forward period used), and it is appropriate for the Group to prepare the unaudited condensed consolidated financial statements on a going concern basis.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The interim unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The interim unaudited condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The comparative year-end condensed balance sheet data was derived from the annual audited consolidated financial statements, but is condensed to the same degree as the interim condensed balance sheet data.

The interim unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users have read or have access to the annual audited consolidated financial statements for the preceding fiscal year.

The preparation of interim unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

	December 31, 2020	March 31, 2021
	(in US$'000)	
Cash at bank and on hand (note (a))	87,828	143,290
Bank deposits maturing in three months or less (note (a))	147,802	202,843
	235,630	346,133
Denominated in:		
U.S. dollar ("US$") (note (b))	164,201	199,336
Renminbi ("RMB") (note (b))	64,258	125,820
UK Pound Sterling ("£") (note (b))	954	2,026
Hong Kong dollar ("HK$")	5,907	18,907
Euro	310	44
	235,630	346,133

Notes:

(a) The weighted average effective interest rate on bank deposits for the year ended December 31, 2020 and the three months ended March 31, 2021 was 1.12% per annum and 0.78% per annum respectively.

(b) Certain cash and bank balances denominated in RMB, US$ and £ were deposited with banks in the PRC. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

4. Short-term Investments

	December 31, 2020	March 31, 2021
	(in US$'000)	
Bank deposits maturing over three months (note)		
Denominated in:		
US$	187,961	44,169
RMB	612	1,924
HK$	10,973	3,846
	199,546	49,939

Note: The weighted average effective interest rate on bank deposits for the year ended December 31, 2020 and the three months ended March 31, 2021 was 1.06% per annum and 0.31% per annum respectively (with maturities ranging from 91 to 180 days).

5. Accounts Receivable – Third Parties

Accounts receivable from contracts with customers, net of allowance for credit losses, consisted of the following:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Accounts receivable, gross	46,743	53,268
Allowance for credit losses	(95)	(140)
Accounts receivable, net	46,648	53,128

Substantially all accounts receivable are denominated in RMB, US$ and HK$ and are due within one year from the end of the reporting periods. The carrying values of accounts receivable approximate their fair values due to their short-term maturities.

Movements on the allowance for credit losses:

	2020	2021
	(in US$'000)	
As at January 1	16	95
Increase in allowance for credit losses (note)	71	57
Decrease in allowance due to subsequent collection	(6)	(12)
Exchange difference	(1)	–
As at March 31	80	140

Note: The expected credit loss rate for the three months ended March 31, 2020 and 2021 was approximately 0.2% and 0.3% respectively.

An aging analysis based on the relevant invoice dates is as follows:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Not later than 3 months	42,434	48,206
Between 3 months to 6 months	3,118	3,903
Between 6 months to 1 year	23	19
Later than 1 year	1,168	1,140
Accounts receivable, gross	46,743	53,268

6. Inventories

Inventories, net of provision for excess and obsolete inventories, consisted of the following:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Raw materials	4,502	4,261
Finished goods	15,264	15,496
	19,766	19,757

7. Leases

Leases consisted of the following:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Right-of-use assets		
Offices (note)	6,789	8,707
Factories	945	882
Warehouse	197	182
Others	85	78
Total right-of-use assets	8,016	9,849

	December 31, 2020	March 31, 2021
	(in US$'000)	
Lease liabilities—current	2,785	3,970
Lease liabilities—non-current	6,064	6,529
Total lease liabilities	8,849	10,499

Note: Includes US$2.0 million and US$1.8 million right-of-use asset as at December 31, 2020 and March 31, 2021 respectively, for corporate offices in Hong Kong that are leased through May 2024 in which the contract has a termination option with 3-month advance notice. The termination option was not recognized as part of the right-of-use asset and lease liability as it was uncertain that the Group will exercise such option.

Lease activities are summarized as follows:

	Three Months Ended March 31, 2020	2021
	(in US$'000)	
Lease expenses:		
Short-term leases with lease terms equal or less than 12 months	144	22
Leases with lease terms greater than 12 months (note)	821	938
	965	960
Cash paid on lease liabilities	1,074	1,151
Non-cash: Lease liabilities recognized from obtaining right-of-use assets	50	2,686
Non-cash: Lease liabilities changed in relation to modifications	(54)	–

Lease contracts are typically within a period of 1 to 8 years. The weighted average remaining lease term and the weighted average discount rate as at March 31, 2020 was 2.76 years and 4.09% respectively. The weighted average remaining lease term and the weighted average discount rate as at March 31, 2021 was 3.21 years and 4.05% respectively.

Future lease payments are as follows:

	December 31, 2021	March 31, 2020
	(in US$'000)	
Lease payments:		
Not later than 1 year	3,059	4,297
Between 1 to 2 years	2,429	3,431
Between 2 to 3 years	2,222	2,161
Between 3 to 4 years	1,046	587
Between 4 to 5 years	216	217
Later than 5 years	484	429
Total lease payments (note)	9,456	11,122
Less: Discount factor	(607)	(623)
Total lease liabilities	8,849	10,499

Note: Excludes future lease payments on a lease not commenced as at March 31, 2021 in the aggregate amount of US$2.8 million.

8. Investments in Equity Investees

Investments in equity investees consisted of the following:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") (note)	59,712	63,969
Shanghai Hutchison Pharmaceuticals Limited ("SHPL")	79,408	69,432
Other	385	415
	139,505	133,816

Note: In March 2021, the Group entered into a sale and purchase agreement (the "SPA") with a third party (the "Buyer") to sell its entire investment in HBYS with closing subject to PRC regulatory review. As part of the divestment, the Group is entitled to (a) cash consideration of US$159.1 million, which includes US$15.9 million deposit collected upon the signing of the SPA and the remainder due upon closing and (b) US$52.3 million related to distributions of prior year undistributed profits and a land bonus payment. The amounts to be received under (a) and (b) aggregate to US$211.4 million of which the amounts attributable to the Company are US$169.1 million.

The equity investees are private companies and there are no quoted market prices available for their shares.

Summarized financial information for the significant equity investees HBYS and SHPL, both under Other Ventures segment, is as follows:

(i) Summarized balance sheets

	HBYS		SHPL	
	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021
	(in US$'000)			
Current assets	177,888	202,601	175,965	198,158
Non-current assets	95,731	94,700	93,361	94,691
Current liabilities	(137,179)	(152,727)	(109,873)	(151,065)
Non-current liabilities	(16,034)	(15,670)	(6,739)	(9,022)
Net assets	120,406	128,904	152,714	132,762
Non-controlling interests	(982)	(966)	–	–
	119,424	127,938	152,714	132,762

(ii) Summarized statements of operations

	HBYS		SHPL	
	Three Months Ended March 31,			
	2020	2021	2020	2021
	(in US$'000)			
Revenue	67,605	88,549	76,701	106,055
Gross profit	32,632	47,578	57,389	82,559
Interest income	60	42	196	492
Finance cost	(3)	–	–	–
Profit before taxation	8,364	10,054	30,096	48,226
Income tax expense (note)	(1,284)	(1,492)	(3,436)	(6,878)
Net income	7,080	8,562	26,660	41,348
Non-controlling interests	68	14	–	–
Net income attributable to the shareholders of equity investee	7,148	8,576	26,660	41,348

Note: The main entities within each of the HBYS and SHPL groups have been granted the High and New Technology Enterprise ("HNTE") status (the latest renewal of this status covers the years from 2020 to 2022). These entities were eligible to use a preferential income tax rate of 15% for the three months ended March 31, 2021 on this basis.

For the three months ended March 31, 2020 and 2021, other equity investees had net income of approximately US$70,000 and US$62,000 respectively.

(iii) Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of investments in equity investees is as follows:

	HBYS		SHPL	
	2020	2021	2020	2021
	(in US$'000)			
Opening net assets after non-controlling interests as at January 1	44,541	119,424	146,759	152,714
Net income attributable to the shareholders of equity investee	7,148	8,576	26,660	41,348
Dividends declared	–	–	(28,205)	(61,026)
Other comprehensive loss	(506)	(62)	(1,638)	(274)
Closing net assets after non-controlling interests as at March 31	51,183	127,938	143,576	132,762
Group's share of net assets	25,592	63,969	71,788	66,381
Goodwill	–	–	2,821	3,051
Carrying amount of investments as at March 31	25,592	63,969	74,609	69,432

The equity investees had the following capital commitments:

	March 31, 2021
	(in US$'000)
Property, plant and equipment	
Contracted but not provided for	2,348

9. Accounts Payable

	December 31, 2020	March 31, 2021
	(in US$'000)	
Accounts payable—third parties	26,756	23,330
Accounts payable—non-controlling shareholders of subsidiaries (Note 16(iv))	4,856	5,306
	31,612	28,636

Substantially all accounts payable are denominated in RMB and US$ and due within one year from the end of the reporting period. The carrying values of accounts payable approximate their fair values due to their short-term maturities.

An aging analysis based on the relevant invoice dates is as follows:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Not later than 3 months	26,270	23,561
Between 3 months to 6 months	3,364	3,269
Between 6 months to 1 year	782	513
Later than 1 year	1,196	1,293
	31,612	28,636

10. Other Payables, Accruals and Advance Receipts

Other payables, accruals and advance receipts consisted of the following:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Accrued salaries and benefits	21,982	12,919
Accrued research and development expenses	72,697	78,092
Accrued selling and marketing expenses	5,747	9,493
Accrued administrative and other general expenses	10,319	11,946
Deferred government grants	374	6,898
Deposits	1,408	1,603
Deposit received for divestment of HBYS (Note 8)	–	15,912
Others	8,355	13,469
	120,882	150,332

11. Bank Borrowings

Bank borrowings consisted of the following:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Non-current	26,861	26,872

The weighted average interest rate for outstanding bank borrowings for the year ended December 31, 2020 and the three months ended March 31, 2021 was 1.89% per annum and 1.14% per annum respectively. The carrying amounts of the Group's bank borrowings were denominated in HK$.

(i) 3-year revolving loan facility and 3-year term loan and revolving loan facilities

In November 2018, the Group through its subsidiary, renewed a 3-year revolving loan facility with a bank in the amount of HK$234,000,000 (US$30,000,000) with an interest rate at the Hong Kong Interbank Offered Rate ("HIBOR") plus 0.85% per annum. This credit facility is guaranteed by the Company. As at December 31, 2020 and March 31, 2021, no amount has been drawn from the revolving loan facility.

In May 2019, the Group through its subsidiary, entered into a separate facility agreement with the bank for the provision of additional unsecured credit facilities in the aggregate amount of HK$400,000,000 (US$51,282,000). The 3-year credit facilities include (i) a HK$210,000,000 (US$26,923,000) term loan facility and (ii) a HK$190,000,000 (US$24,359,000) revolving loan facility, both with an interest rate at HIBOR plus 0.85% per annum, and an upfront fee of HK$819,000 (US$105,000) on the term loan. These credit facilities are guaranteed by the Company. The term loan was drawn in October 2019 and is due in May 2022. As at December 31, 2020 and March 31, 2021, no amount has been drawn from the revolving loan facility.

(ii) 2-year revolving loan facilities

In August 2018, the Group through its subsidiary, entered into two separate facility agreements with banks for the provision of unsecured credit facilities in the aggregate amount of HK$507,000,000 (US$65,000,000). The first credit facility was a HK$351,000,000 (US$45,000,000) revolving loan facility, with a term of 2 years and an interest rate at HIBOR plus 1.35% per annum. The second credit facility was a HK$156,000,000 (US$20,000,000) revolving loan facility, with a term of 2 years and an interest rate at HIBOR plus 1.35% per annum. These credit facilities were guaranteed by the Company. No amount has been drawn from either of the revolving loan facilities. Both loan facilities expired in August 2020.

In August 2020, the Group through its subsidiary, entered into a 2-year revolving loan facility with a bank in the amount of HK$117,000,000 (US$15,000,000) with an interest rate at HIBOR plus 4.5% per annum. This credit facility is guaranteed by the Company. As at December 31, 2020 and March 31, 2021, no amount has been drawn from the revolving loan facility.

The Group's bank borrowings are repayable as from the dates indicated as follows:

	December 31, 2020	March 31, 2021
	(in US$'000)	
Not later than 1 year	–	–
Between 1 to 2 years	26,923	26,923
	26,923	26,923

As at December 31, 2020 and March 31, 2021, the Group had unutilized bank borrowing facilities of HK$541,000,000 (US$69,359,000).

12. Commitments and Contingencies

The Group had the following capital commitments:

	March 31, 2021
	(in US$'000)
Property, plant and equipment	
Contracted but not provided for	44,183

Capital commitments for property, plant and equipment are mainly for construction of a factory in Shanghai. The Group does not have any other significant commitments or contingencies.

13. Share-based Compensation

(i) Share-based Compensation of the Company

The Company conditionally adopted a share option scheme on June 4, 2005 (as amended on March 21, 2007) and such scheme has a term of 10 years. It expired in 2016 and no further share options can be granted. Another share option scheme was conditionally adopted on April 24, 2015 (the "Hutchmed Share Option Scheme"). Pursuant to the Hutchmed Share Option Scheme, the Board of Directors of the Company may, at its discretion, offer any employees and directors (including Executive and Non-executive Directors but excluding Independent Non-executive Directors) of the Company, holding companies of the Company and any of their subsidiaries or affiliates, and subsidiaries or affiliates of the Company share options to subscribe for shares of the Company.

Pursuant to a resolution passed in the Annual General Meeting on April 27, 2020, the scheme limit of the Hutchmed Share Option Scheme was refreshed to 34,528,738 ordinary shares, representing 5% of the total issued shares on such date.

As at March 31, 2021, the aggregate number of shares issuable under the Hutchmed Share Option Scheme was 50,613,268 ordinary shares and the aggregate number of shares issuable under the prior share option scheme which expired in 2016 was 716,180 ordinary shares. The Company will issue new shares to satisfy share option exercises. Additionally, the number of shares authorized but unissued was 771,877,785 ordinary shares.

Share options granted are generally subject to a four-year vesting schedule, depending on the nature and the purpose of the grant. Share options subject to the four-year vesting schedule, in general, vest 25% upon the first anniversary of the vesting commencement date as defined in the grant letter, and 25% every subsequent year. However, certain share option grants may have a different vesting schedule as approved by the Board of Directors of the Company. No outstanding share options will be exercisable or subject to vesting after the expiry of a maximum of eight to ten years from the date of grant.

A summary of the Company's share option activity and related information is as follows:

	Number of share options	Weighted average exercise price in £ per share	Weighted average remaining contractual life (years)	Aggregate intrinsic value (in £'000)
Outstanding at December 31, 2019	19,432,560	3.27	6.67	18,668
Granted	15,437,080	3.71		
Exercised	(480,780)	0.96		
Cancelled	(4,486,200)	3.85		
Expired	(741,670)	4.62		
Outstanding at December 31, 2020	29,160,990	3.40	7.21	35,654
Granted	8,279,900	4.05		
Exercised	(400,000)	0.44		
Cancelled	(428,400)	4.60		
Expired	(25,000)	4.86		
Outstanding at March 31, 2021	36,587,490	3.56	7.68	23,153
Vested and exercisable at December 31, 2020	11,529,280	2.73	4.57	21,864
Vested and exercisable at March 31, 2021	11,604,280	2.87	4.54	16,269

In estimating the fair value of share options granted, the following assumptions were used in the Polynomial model for awards granted in the periods indicated:

	Year Ended December 31, 2020	Three Months Ended March 31, 2021
Weighted average grant date fair value of share options (in £ per share)	1.40	1.51
Significant inputs into the valuation model (weighted average):		
Exercise price (in £ per share)	3.71	4.05
Share price at effective date of grant (in £ per share)	3.71	4.01
Expected volatility (note (a))	42.6%	40.8%
Risk-free interest rate (note (b))	0.59%	1.68%
Contractual life of share options (in years)	10	10
Expected dividend yield (note (c))	0%	0%

Notes:

(a) The Company calculated its expected volatility with reference to the historical volatility prior to the issuances of share options.

(b) For share options exercisable into ordinary shares, the risk-free interest rates reference the sovereign yield of the United Kingdom because the Company's ordinary shares are currently listed on AIM and denominated in £. For share options exercisable into American depository shares ("ADSs"), the risk-free interest rates reference the U.S. Treasury yield curves because the Company's ADSs are currently listed on the NASDAQ and denominated in US$.

(c) The Company has not declared or paid any dividends and does not currently expect to do so in the foreseeable future, and therefore uses an expected dividend yield of zero in the Polynomial model.

The Company will issue new shares to satisfy share option exercises. The following table summarizes the Company's share option exercises:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Cash received from share option exercises	–	242
Total intrinsic value of share option exercises	–	2,012

The Group recognizes compensation expense on a graded vesting approach over the requisite service period. The following table presents share-based compensation expense included in the Group's consolidated statements of operations:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Research and development expenses	109	1,474
Selling and administrative expenses	186	1,434
Cost of revenues	50	40
	345	2,948

As at March 31, 2021, the total unrecognized compensation cost was US$32,673,000, and will be recognized on a graded vesting approach over the weighted average remaining service period of 3.52 years.

(ii) LTIP

The Company grants awards under the LTIP to participating directors and employees, giving them a conditional right to receive ordinary shares of the Company or the equivalent ADSs (collectively the "Awarded Shares") to be purchased by the Trustee up to a cash amount. Vesting will depend upon continued employment of the award holder with the Group and will otherwise be at the discretion of the Board of Directors of the Company. Additionally, some awards are subject to change based on annual performance targets prior to their determination date.

LTIP awards prior to the determination date

Performance targets vary by award, and may include targets for shareholder returns, free cash flows, revenues, net profit after taxes, the achievement of clinical and regulatory milestones and equity financings. As the extent of achievement of the performance targets is uncertain prior to the determination date, a probability based on management's assessment on the achievement of the performance target has been assigned to calculate the amount to be recognized as an expense over the requisite period with a corresponding entry to liability.

LTIP awards after the determination date

Upon the determination date, the Company will pay a determined monetary amount, up to the maximum cash amount based on the actual achievement of the performance target specified in the award, to the Trustee to purchase the Awarded Shares. Any cumulative compensation expense previously recognized as a liability will be transferred to additional paid-in capital, as an equity-settled award. If the performance target is not achieved, no Awarded Shares of the Company will be purchased and the amount previously recorded in the liability will be reversed through share-based compensation expense.

Granted awards under the LTIP are as follows:

Grant date	Maximum cash amount per annum (in US$ millions)	Covered financial years	Performance target determination date
April 20, 2020	5.3	2019	note (d)
April 20, 2020	37.4	2020	note (a)
April 20, 2020	1.9	note (b)	note (b)
April 20, 2020	0.2	note (c)	note (c)
August 12, 2020	2.1	2020	note (a)
August 12, 2020	0.3	note (b)	note (b)
March 26, 2021	57.3	2021	note (a)

Notes:

(a) The annual performance target determination date is the date of the announcement of the Group's annual results for the covered financial year and vesting occurs two business days after the announcement of the Group's annual results for the financial year falling two years after the covered financial year to which the LTIP award relates.

(b) This award does not stipulate performance targets and is subject to a vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant.

(c) This award does not stipulate performance targets and will be vested on the first anniversary of the date of grant.

(d) This award does not stipulate performance targets and vesting occurs two business days after the announcement of the Group's annual results for the financial year falling two years after the covered financial year to which the LTIP award relates.

The Trustee has been set up solely for the purpose of purchasing and holding the Awarded Shares during the vesting period on behalf of the Company using funds provided by the Company. On the determination date, if any, the Company will determine the cash amount, based on the actual achievement of each annual performance target, for the Trustee to purchase the Awarded Shares. The Awarded Shares will then be held by the Trustee until they are vested.

The Trustee's assets include treasury shares and funds for additional treasury shares, trustee fees and expenses. The number of treasury shares (in the form of ordinary shares or ADSs of the Company) held by the Trustee were as follows:

	Number of treasury shares	Cost (in US$'000)
As at December 31, 2019	941,310	6,079
Purchased	3,281,920	12,904
Vested	(712,555)	(4,828)
As at December 31, 2020	3,510,675	14,155
Purchased	4,821,680	26,758
Vested	(173,485)	(926)
As at March 31, 2021	8,158,870	39,987

For the three months ended March 31, 2020 and 2021, US$384,000 and US$1,566,000 of the LTIP awards were forfeited respectively.

The following table presents the share-based compensation expenses recognized under the LTIP awards:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Research and development expenses	721	1,682
Selling and administrative expenses	25	1,180
Cost of revenues	39	82
	785	2,944
Recorded with a corresponding credit to:		
Liability	689	1,531
Additional paid-in capital	96	1,413
	785	2,944

For the three months ended March 31, 2020 and 2021, US$4,092,000 and US$8,516,000 were reclassified from liability to additional paid-in capital respectively upon LTIP awards reaching the determination date. As at December 31, 2020 and March 31, 2021, US$7,089,000 and US$104,000 were recorded as liabilities respectively for LTIP awards prior to the determination date.

As at March 31, 2021, the total unrecognized compensation cost was approximately US$46,206,000, which considers expected performance targets and the amount expected to vest, and will be recognized over the requisite periods.

14. Revenues

The following table presents disaggregated revenue, with sales of goods recognized at a point-in-time and provision of services recognized over time:

	Three Months Ended March 31, 2020		
	Oncology/ Immunology	Other Ventures	Total
		(in US$'000)	
Goods—Marketed Products	1,791	–	1,791
Goods—Distribution	–	44,947	44,947
Services—Collaboration Research and Development	3,618	–	3,618
—Research and Development	121	–	121
Royalties	1,093	–	1,093
	6,623	44,947	51,570
Third parties	6,502	44,180	50,682
Related parties (Note 16(i))	121	767	888
	6,623	44,947	51,570

	Three Months Ended March 31, 2021		
	Oncology/ Immunology	Other Ventures	Total
		(in US$'000)	
Goods—Marketed Products	8,486	–	8,486
Goods—Distribution	–	59,880	59,880
Services—Commercialization—Marketed Products	7,406	–	7,406
—Collaboration Research and Development	2,706	–	2,706
—Research and Development	130	–	130
Royalties	2,948	–	2,948
	21,676	59,880	81,556
Third parties	21,546	58,574	80,120
Related parties (Note 16(i))	130	1,306	1,436
	21,676	59,880	81,556

15. Research and Development Expenses

Research and development expenses are summarized as follows:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Clinical trial related costs	16,898	34,120
Personnel compensation and related costs	12,471	18,491
Other research and development expenses	1,142	4,448
	30,511	57,059

The Group has entered into multiple collaborative arrangements under ASC 808 to evaluate the combination of the Group's drug compounds with the collaboration partners' drug compounds. For the three months ended March 31, 2020 and 2021, the Group has incurred research and development expenses of US$842,000 and US$2,412,000 respectively, related to such collaborative arrangements.

16. Significant Transactions with Related Parties and Non-Controlling Shareholders of Subsidiaries

The Group has the following significant transactions with related parties and non-controlling shareholders of subsidiaries, which were carried out in the normal course of business at terms determined and agreed by the relevant parties:

(i) Transactions with related parties:

	Three Months Ended March 31,	
	2020	**2021**
	(in US$'000)	
Sales to:		
Indirect subsidiaries of CK Hutchison	767	1,306
Revenue from research and development services from:		
An equity investee	121	130
Purchases from:		
Equity investees	892	1,036
Rendering of marketing services from:		
Indirect subsidiaries of CK Hutchison	42	91
Rendering of management services from:		
An indirect subsidiary of CK Hutchison	239	243

(ii) Balances with related parties included in:

	December 31, 2020	**March 31, 2021**
	(in US$'000)	
Accounts receivable—related parties		
Indirect subsidiaries of CK Hutchison (note (a))	1,222	564
An equity investee (note (a))	–	130
	1,222	694
Amounts due from related parties		
Equity investees (note (a))	1,142	1,142
Amounts due to a related party		
An indirect subsidiary of CK Hutchison (note (b))	401	718
Other deferred income		
An equity investee (note (c))	950	892

Notes:

(a) Balances with related parties are unsecured, repayable on demand and interest-free. The carrying values of balances with related parties approximate their fair values due to their short-term maturities. Accounts receivable and accounts payable relate to balances which are trade in nature while other balances are non-trade in nature.

(b) Amounts due to an indirect subsidiary of CK Hutchison are non-trade in nature and unsecured, repayable on demand and interest-bearing if not settled within one month.

(c) Other deferred income represents amounts recognized from granting of promotion and marketing rights.

(iii) Transactions with non-controlling shareholders of subsidiaries:

	Three Months Ended March 31,	
	2020	**2021**
	(in US$'000)	
Sales	8,124	10,119
Purchases	2,888	3,697

(iv) Balances with non-controlling shareholders of subsidiaries included in:

	December 31, 2020	**March 31, 2021**
	(in US$'000)	
Accounts receivable	6,184	4,760
Accounts payable	4,856	5,306
Other non-current liabilities		
Loan	579	579

17. Income Taxes

	Three Months Ended March 31,	
	2020	**2021**
	(in US$'000)	
Current tax		
HK (note (a))	78	192
PRC (note (b))	(46)	1,174
U.S. and others (note (c))	212	414
Total current tax	244	1,780
Deferred income tax	801	159
Income tax expense	1,045	1,939

Notes:

(a) The Company, three subsidiaries incorporated in the British Virgin Islands and its Hong Kong subsidiaries are subject to Hong Kong profits tax. Under Hong Kong's two-tiered profits tax rates regime, the first HK$2.0 million (US$0.3 million) of assessable profits of qualifying corporations will be taxed at 8.25%, with the remaining assessable profits taxed at 16.5%. Hong Kong profits tax has been provided for at the relevant rates on the estimated assessable profits less estimated available tax losses, if any, of these entities as applicable.

(b) Taxation in the PRC has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses, if any, in each entity. Under the PRC Enterprise Income Tax Law (the "EIT Law"), the standard enterprise income tax rate is 25%. In addition, the EIT Law provides for a preferential tax rate of 15% for companies which qualify as HNTE. Hutchison MediPharma Limited and its wholly-owned subsidiary Hutchison MediPharma (Suzhou) Limited qualify as HNTE up to December 31, 2022 and 2020 respectively. Hutchison MediPharma (Suzhou) Limited is in the process of renewing its HNTE status.

Pursuant to the EIT law, a 10% withholding tax is levied on dividends paid by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable under the China-HK Tax Arrangement if direct foreign investors with at least 25% equity interest in the PRC companies are Hong Kong tax residents, and meet the conditions or requirements pursuant to the relevant PRC tax regulations regarding beneficial ownership. Since the equity holders of the equity investees of the Company are Hong Kong incorporated companies and Hong Kong tax residents, and meet the aforesaid conditions or requirements, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed. As at December 31, 2020 and March 31, 2021, the amounts accrued in deferred tax liabilities relating to withholding tax on dividends were determined on the basis that 100% of the distributable reserves of the equity investees operating in the PRC will be distributed as dividends.

(c) The Company's subsidiaries in the U.S. are subject to U.S. taxes, primarily federal and state taxes. Federal tax has been provided for at 21% on the estimated assessable profits, whereas state taxes have been provided for at applicable rates stipulated by the respective states over the reporting periods. Certain income receivable by the Company is subject to U.S. withholding tax at 30%. One of the Group's subsidiaries is subject to corporate tax in European countries at 19% or 20% on the estimated assessable profits in relation to its permanent establishment in these countries in 2020 and 2021.

The reconciliation of the Group's reported income tax expense to the theoretical tax amount that would arise using the tax rate of the Company against the Group's loss before income taxes and equity in earnings of equity investees is as follows:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Loss before income taxes and equity in earnings of equity investees	(31,320)	(62,907)
Tax calculated at the statutory tax rate of the Company	(5,168)	(10,380)
Tax effects of:		
Different tax rates applicable in different jurisdictions	304	1,591
Tax valuation allowance	7,273	14,952
Preferential tax rate difference	(107)	(21)
Preferential tax deduction and credits	(1,772)	(5,723)
Expenses not deductible for tax purposes	591	1,094
Utilization of previously unrecognized tax losses	(47)	(4)
Withholding tax on undistributed earnings of PRC entities	846	1,235
Others	(875)	(805)
Income tax expense	1,045	1,939

18. Losses per Share

(i) Basic losses per share

Basic losses per share is calculated by dividing the net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue during the period. Treasury shares held by the Trustee are excluded from the weighted average number of outstanding ordinary shares in issue for purposes of calculating basic losses per share.

	Three Months Ended March 31,	
	2020	**2021**
Weighted average number of outstanding ordinary shares in issue	683,855,237	723,176,387
Net loss attributable to the Company (US$'000)	(16,141)	(41,143)
Losses per share attributable to the Company (US$ per share)	(0.02)	(0.06)

(ii) Diluted losses per share

Diluted losses per share is calculated by dividing net loss attributable to the Company by the weighted average number of outstanding ordinary shares in issue and dilutive ordinary share equivalents outstanding during the period. Dilutive ordinary share equivalents include shares issuable upon the exercise or settlement of share option, LTIP awards and warrants issued by the Company using the treasury stock method.

For the three months ended March 31, 2020 and 2021, the share options, LTIP awards and warrants issued by the Company were not included in the calculation of diluted losses per share because of their anti-dilutive effect. Therefore, diluted losses per share were equal to basic losses per share for the three months ended March 31, 2020 and 2021.

19. Segment Reporting

The Group's operating segments are as follows:

(i) Oncology/Immunology: focuses on discovering, developing, and commercializing targeted therapies and immunotherapies for the treatment of cancer and immunological diseases. Oncology/Immunology is further segregated into two core business areas:

  (a) R&D: comprises research and development activities covering drug discovery, development, manufacturing and regulatory functions as well as administrative activities to support research and development operations; and

  (b) Marketed Products: comprises the sales, marketing, manufacture and distribution of drug developed from research and development activities.

(ii) Other Ventures: comprises other commercial businesses which include the sales, marketing, manufacture and distribution of other prescription drugs and over-the-counter pharmaceuticals as well as consumer health products.

The performance of the reportable segments is assessed based on segment operating (loss)/profit.

The segment information is as follows:

	Three Months Ended March 31, 2020							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Revenue from external customers	3,739	–	3,739	2,884	6,623	44,947	–	51,570
Interest income	64	–	64	–	64	30	981	1,075
Equity in earnings of equity investees, net of tax	35	–	35	–	35	16,904	–	16,939
Segment operating (loss)/profit	(21,686)	(8,035)	(29,721)	1,869	(27,852)	17,767	(4,009)	(14,094)
Interest expense	–	–	–	–	–	–	287	287
Income tax expense	60	65	125	–	125	34	886	1,045
Net (loss)/income attributable to the Company	(21,725)	(8,080)	(29,805)	1,864	(27,941)	16,838	(5,038)	(16,141)
Depreciation/amortization	1,307	29	1,336	–	1,336	71	47	1,454
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,134	6	1,140	–	1,140	72	3	1,215

	December 31, 2020							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Total assets	127,637	9,957	137,594	5,728	143,322	231,234	349,562	724,118
Property, plant and equipment	22,554	454	23,008	–	23,008	688	474	24,170
Right-of-use assets	2,782	1,375	4,157	–	4,157	2,582	1,277	8,016
Leasehold land	13,121	–	13,121	–	13,121	–	–	13,121
Goodwill	–	–	–	–	–	3,307	–	3,307
Other intangible asset	–	–	–	–	–	227	–	227
Investments in equity investees	385	–	385	–	385	139,120	–	139,505

	Three Months Ended March 31, 2021							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Revenue from external customers	2,836	–	2,836	18,840	21,676	59,880	–	81,556
Interest income	283	2	285	–	285	59	213	557
Equity in earnings of equity investees, net of tax	31	–	31	–	31	24,962	–	24,993
Segment operating (loss)/profit	(29,178)	(31,961)	(61,139)	4,006	(57,133)	26,704	(7,362)	(37,791)
Interest expense	–	–	–	–	–	–	123	123
Income tax expense	34	114	148	247	395	269	1,275	1,939
Net (loss)/income attributable to the Company	(29,140)	(31,996)	(61,136)	3,525	(57,611)	25,137	(8,669)	(41,143)
Depreciation/amortization	1,588	32	1,620	–	1,620	75	49	1,744
Additions to non-current assets (other than financial instruments and deferred tax assets)	6,360	59	6,419	–	6,419	10	14	6,443

	March 31, 2021							
	Oncology/Immunology							
	R&D			Marketed Products		Other Ventures		
	PRC	U.S. and Others	Subtotal	PRC	Subtotal	PRC	Unallocated	Total
	(in US$'000)							
Total assets	161,905	8,112	170,017	13,999	184,016	228,705	280,396	693,117
Property, plant and equipment	24,697	481	25,178	–	25,178	640	439	26,257
Right-of-use assets	4,936	1,330	6,266	–	6,266	2,395	1,188	9,849
Leasehold land	13,052	–	13,052	–	13,052	–	–	13,052
Goodwill	–	–	–	–	–	3,307	–	3,307
Other intangible asset	–	–	–	–	–	210	–	210
Investments in equity investees	415	–	415	–	415	133,401	–	133,816

Revenue from external customers is after elimination of inter-segment sales. Sales between segments are carried out at mutually agreed terms. The amount eliminated attributable to sales between PRC and U.S. and others under the Oncology/Immunology segment was US$2,852,000 and US$6,383,000 for the three months ended March 31, 2020 and 2021 respectively.

There was one customer under Other Ventures segment (with revenue of US$8,124,000), which accounted for over 10% of the Group's revenue for the three months ended March 31, 2020. There was one customer under Oncology/Immunology segment (with revenue of US$14,168,000) and two customers under Other Ventures segment (with aggregate revenue of US$18,298,000), which accounted for over 10% of the Group's revenue for the three months ended March 31, 2021.

Unallocated expenses mainly represent corporate expenses which include corporate employee benefit expenses and the relevant share-based compensation expenses. Unallocated assets mainly comprise cash and cash equivalents and short-term investments.

A reconciliation of segment operating loss to net loss is as follows:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Segment operating loss	(14,094)	(37,791)
Interest expense	(287)	(123)
Income tax expense	(1,045)	(1,939)
Net loss	(15,426)	(39,853)

20. Note to Consolidated Statements of Cash Flows

Reconciliation of net loss for the period to net cash used in operating activities:

	Three Months Ended March 31,	
	2020	2021
	(in US$'000)	
Net loss	(15,426)	(39,853)
Adjustments to reconcile net loss to net cash used in operating activities		
Share-based compensation expense—share options	345	2,948
Share-based compensation expense—LTIP	785	2,944
Equity in earnings of equity investees, net of tax	(16,939)	(24,993)
Dividends received from SHPL and HBYS	28,270	30,513
Changes in right-of-use assets	765	(1,852)
Other adjustments	511	1,467
Changes in working capital		
Accounts receivable—third parties	1,715	(6,525)
Inventories	(436)	(64)
Accounts payable	(1,159)	(2,976)
Other payables, accruals and advance receipts	1,060	9,944
Lease liabilities	(874)	1,662
Other changes in working capital	(374)	4,429
Total changes in working capital	(68)	6,470
Net cash used in operating activities	(1,757)	(22,356)

21. Litigation

From time to time, the Group may become involved in litigation relating to claims arising from the ordinary course of business. The Group believes that there are currently no claims or actions pending against the Group, the ultimate disposition of which could have a material adverse effect on the Group's results of operations, financial position or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. When an unfavorable outcome occurs, there exists the possibility of a material adverse impact on the Group's financial position and results of operations for the periods in which the unfavorable outcome occurs, and potentially in future periods.

On May 17, 2019, Luye Pharma Hong Kong Ltd. ("Luye") issued a notice to the Group purporting to terminate a distribution agreement that granted the Group exclusive commercial rights to Seroquel in the PRC for failure to meet a pre-specified target. The Group disagrees with this assertion and believes that Luye have no basis for termination. As a result, the Group commenced confidential legal proceedings in 2019 in order to seek damages. As at March 31, 2021, the legal proceedings are still in progress. Accordingly, no adjustment has been made to Seroquel-related balances as at March 31, 2021, including accounts receivable, long-term prepayment, accounts payable and other payables of US$1.2 million, US$0.9 million, US$0.9 million and US$1.2 million respectively.

22. Subsequent Events

The Group evaluated subsequent events through June 18, 2021, which is the date when the interim unaudited condensed consolidated financial statements were issued.

In April 2021, the Company issued 16,393,445 ordinary shares to a third party for gross proceeds of US$100.0 million through a PIPE.

23. Reconciliation between U.S. GAAP and International Financial Reporting Standards

These interim unaudited condensed consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRS"). The effects of material differences prepared under U.S. GAAP and IFRS are as follows:

	Three Months Ended March 31,	
	2020	**2021**
	(in US$'000)	
Reconciliation of net loss attributable to the Company in the condensed consolidated statements of operations		
Net loss attributable to the Company as reported under U.S. GAAP	(16,141)	(41,143)
IFRS adjustments:		
Leases amortization (note (a))	9	(31)
Issuance costs (note (b))	–	329
Net loss attributable to the Company as reported under IFRS	(16,132)	(40,845)

	December 31, 2020	March 31, 2021
	(in US$'000)	
Reconciliation of total shareholders' equity in the condensed consolidated balance sheets		
Total shareholders' equity as reported under U.S. GAAP	518,949	464,395
IFRS adjustments:		
Leases amortization (note (a))	(162)	(196)
Issuance costs (note (b))	860	1,189
LTIP classification (note (c))	7,089	104
Total shareholders' equity as reported under IFRS	526,736	465,492

Notes:

(a) Leases amortization

Under U.S. GAAP, for operating leases, the amortization of right-of-use assets and the interest expense element of lease liabilities are recorded together as lease expenses, which results in a straight-line recognition effect in the condensed consolidated statements of operations. Under IFRS, all leases are accounted for like finance leases where right-of-use assets are generally depreciated on a straight-line basis while lease liabilities are measured under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term. Accordingly, the reconciliation includes an expense recognition difference in the condensed consolidated statements of operations of less than US$0.1 million for the periods ended March 31, 2020 and 2021 and a difference in total shareholders' equity under IFRS of US$0.2 million as at December 31, 2020 and March 31, 2021.

(b) Issuance costs

Under U.S. GAAP and IFRS, there are differences in the criteria for capitalization of issuance costs incurred in the offering of equity securities. Accordingly, the reconciliation includes an expense recognition difference in the condensed consolidated statements of operations of US$0.3 million for the period ended March 31, 2021 and a difference in total shareholders' equity of US$0.9 million and US$1.2 million as at December 31, 2020 and March 31, 2021 in relation to capital market activities.

(c) LTIP classification

Under U.S. GAAP, LTIP awards with performance conditions are classified as liability-settled awards prior to the determination date as they settle in a variable number of shares based on a determinable monetary amount, which is determined upon the actual achievement of performance targets. After the determination date, the LTIP awards are reclassified as equity-settled awards.

Under IFRS, LTIP awards are classified as equity-settled awards, both prior to and after the determination date, as they are ultimately settled in ordinary shares or the equivalent ADSs of the Company instead of cash. Accordingly, the reconciliation includes a classification difference between liabilities under U.S. GAAP and total shareholders' equity under IFRS of US$7.1 million and US$0.1 million as at December 31, 2020 and March 31, 2021, respectively.

*The supplementary financial information of the Company's non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals Limited and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited, and the Company's former non-consolidated joint venture Nutrition Science Partners Limited (together, the "**Joint Ventures**"), contained in this Appendix III has been extracted from the audited consolidated income statement data for the years ended December 31, 2020, 2019 and 2018 and the audited consolidated statements of financial position data as of December 31, 2020 and 2019 for Shanghai Hutchison Pharmaceuticals Limited and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited and the audited consolidated income statement data for the period ended December 9, 2019 and the year ended December 31, 2018 and the audited consolidated statement of financial position data as of December 9, 2019 for Nutrition Science Partners Limited included in the Company's annual report on Form 20-F filed on March 4, 2021 for the fiscal year ended December 31, 2020. These consolidated financial statements have been prepared in accordance with IFRS.*

All figures stated in this Appendix III are in U.S. dollars, unless expressly stated otherwise.

The consolidated financial statements of Nutrition Science Partners Limited relating to the year ended December 31, 2018 included herein are not the Hong Kong statutory annual financial statements of Nutrition Science Partners Limited for that year. As Nutrition Science Partners Limited is a private company, it is not required to deliver its financial statements with its annual returns to the Registrar of Companies in Hong Kong and has not done so. Nutrition Science Partners Limited's auditor has separately reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

SHANGHAI HUTCHISON PHARMACEUTICALS LIMITED

Report of Independent Auditors

To the Board of Directors and Shareholders of Shanghai Hutchison Pharmaceuticals Limited

We have audited the accompanying consolidated financial statements of Shanghai Hutchison Pharmaceuticals Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated income statements, consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2020.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shanghai Hutchison Pharmaceuticals Limited and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
March 4, 2021

Shanghai Hutchison Pharmaceuticals Limited
Consolidated Income Statements
(in US$'000)

	Note	Year Ended December 31, 2020	2019	2018
Revenue	5	276,354	272,082	275,649
Cost of sales		(72,163)	(77,313)	(82,710)
Gross profit		204,191	194,769	192,939
Selling expenses		(111,892)	(110,591)	(111,984)
Administrative expenses		(17,907)	(14,761)	(14,522)
Other net operating income	6	3,473	2,941	2,705
Operating profit	7	**77,865**	**72,358**	**69,138**
Finance costs	15	(12)	(42)	—
Profit before taxation		**77,853**	**72,316**	**69,138**
Taxation charge	8	(10,833)	(11,015)	(9,371)
Profit for the year		**67,020**	**61,301**	**59,767**

The accompanying notes are an integral part of these consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Consolidated Statements of Comprehensive Income
(in US$'000)

	Year Ended December 31,		
	2020	2019	2018
Profit for the year	**67,020**	**61,301**	**59,767**
Other comprehensive income/(loss) that has been or may be reclassified subsequently to profit or loss:			
Exchange translation differences	11,129	(4,670)	(5,797)
Total comprehensive income	**78,149**	**56,631**	**53,970**

The accompanying notes are an integral part of these consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Consolidated Statements of Financial Position
(in US$'000)

	Note	December 31, 2020	2019
Assets			
Current assets			
Cash and cash equivalents	10	72,478	41,244
Trade and bills receivables	11	18,421	24,772
Other receivables, prepayments and deposits	12	3,392	2,935
Inventories	13	81,674	72,317
Total current assets		**175,965**	**141,268**
Property, plant and equipment	14	76,932	76,576
Right-of-use assets	15	152	562
Leasehold land		7,021	6,707
Other intangible asset		935	1,085
Deferred tax assets	16	8,315	6,147
Total assets		**269,320**	**232,345**
Liabilities and shareholders' equity			
Current liabilities			
Trade payables	17	11,174	10,269
Other payables, accruals and advance receipts	18	93,534	66,425
Current tax liabilities	19	5,032	2,395
Lease liabilities	15	133	444
Total current liabilities		**109,873**	**79,533**
Deferred income		6,720	5,974
Lease liabilities	15	19	100
Total liabilities		**116,612**	**85,607**
Shareholders' equity			
Share capital		33,382	33,382
Reserves		119,326	113,356
Total shareholders' equity		**152,708**	**146,738**
Total liabilities and shareholders' equity		**269,320**	**232,345**

The accompanying notes are an integral part of these consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Consolidated Statements of Changes in Equity
(in US$'000)

	Share capital	Exchange reserve	General reserves	Retained earnings	Total equity
As at January 1, 2018	**33,382**	**1,943**	**970**	**96,436**	**132,731**
Profit for the year	—	—	—	59,767	59,767
Other comprehensive loss					
Exchange translation differences	—	(5,797)	—	—	(5,797)
Total comprehensive (loss)/income	—	(5,797)	—	59,767	53,970
Dividends declared to shareholders	—	—	—	(54,923)	(54,923)
As at December 31, 2018	**33,382**	**(3,854)**	**970**	**101,280**	**131,778**
Impact of change in accounting policy (IFRS 16)	—	—	—	(17)	(17)
As at January 1, 2019	**33,382**	**(3,854)**	**970**	**101,263**	**131,761**
Profit for the year	—	—	—	61,301	61,301
Other comprehensive loss					
Exchange translation differences	—	(4,670)	—	—	(4,670)
Total comprehensive (loss)/income	—	(4,670)	—	61,301	56,631
Transfer between reserves	—	—	14	(14)	—
Dividends declared to shareholders	—	—	—	(41,654)	(41,654)
As at December 31, 2019	**33,382**	**(8,524)**	**984**	**120,896**	**146,738**
Profit for the year	—	—	—	67,020	67,020
Other comprehensive income					
Exchange translation differences	—	11,129	—	—	11,129
Total comprehensive income	—	11,129	—	67,020	78,149
Transfer between reserves	—	—	14	(14)	—
Dividends declared to shareholders	—	—	—	(72,179)	(72,179)
As at December 31, 2020	**33,382**	**2,605**	**998**	**115,723**	**152,708**

The accompanying notes are an integral part of these consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Consolidated Statements of Cash Flows
(in US$'000)

	Note	Year Ended December 31, 2020	2019	2018
Operating activities				
Net cash generated from operations	20	112,609	76,784	54,699
Interest received		912	518	638
Income tax paid	19	(10,232)	(13,618)	(12,158)
Net cash generated from operating activities		103,289	63,684	43,179
Investing activities				
Purchase of property, plant and equipment		(2,437)	(4,592)	(5,172)
Proceeds from disposal of property, plant and equipment		63	9	13
Net cash used in investing activities		(2,374)	(4,583)	(5,159)
Financing activities				
Dividends paid to shareholders		(72,179)	(41,654)	(54,667)
Lease payments	15	(474)	(595)	—
Net cash used in financing activities		(72,653)	(42,249)	(54,667)
Net increase/(decrease) in cash and cash equivalents		28,262	16,852	(16,647)
Effect of exchange rate changes on cash and cash equivalents		2,972	(659)	(1,829)
		31,234	16,193	(18,476)
Cash and cash equivalents				
Cash and cash equivalents at beginning of year		41,244	25,051	43,527
Cash and cash equivalents at end of year		72,478	41,244	25,051

The accompanying notes are an integral part of these consolidated financial statements.

Shanghai Hutchison Pharmaceuticals Limited
Notes to the Consolidated Financial Statements

1. General Information

Shanghai Hutchison Pharmaceuticals Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in manufacturing, selling and distribution of prescription drug products. The Group has manufacturing plants in the People's Republic of China (the "PRC") and sells mainly in the PRC.

The Company was incorporated in the PRC on April 30, 2001 as a Chinese-Foreign Equity joint venture. The Company is jointly controlled by Shanghai Hutchison Chinese Medicine (HK) Investment Limited ("SHCM(HK)IL") and Shanghai Traditional Chinese Medicine Co., Ltd ("SHTCML").

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated and have been approved for issue by the Company's Board of Directors on March 4, 2021.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared under the historical cost convention.

During the year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the IASB that are relevant to the Group's operations and mandatory for annual periods beginning January 1, 2020. The adoption of these new and revised standards, amendments and interpretations did not have any material effects on the Group's results of operations or financial position.

The following standards, amendments and interpretations were issued but not yet effective for the financial year ended December 31, 2020 and have not been early adopted by the Group:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)[1]	Interest rate benchmark reform – Phase 2
IFRS 3 (Amendments)[2]	Reference to the Conceptual Framework
IAS 16 (Amendments)[2]	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37 (Amendments)[2]	Onerous Contracts – Costs of Fulfilling a Contract
Annual improvement 2018-2020[2]	Improvements to IFRSs
IAS 1 (Amendments)[3]	Classification of Liabilities as Current or Non-current
IFRS 17[3]	Insurance Contracts
IFRS 10 and IAS 28 (Amendments)[4]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for the Group for annual periods beginning on or after January 1, 2021.

(2) Effective for the Group for annual periods beginning on or after January 1, 2022.

(3) Effective for the Group for annual periods beginning on or after January 1, 2023.

(4) Effective date to be determined by the IASB.

The adoption of standards, amendments and interpretations listed above in future periods is not expected to have any material effects on the Group's results of operations or financial position.

(a) Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the consolidated financial statements, subsidiaries are accounted for as described in Note 2(a) above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(c) Foreign Currency Translation

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries is Renminbi ("RMB") whereas the consolidated financial statements are presented in US$, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated income statements.

The financial statements of the Company and its subsidiaries are translated into the Company's presentation currency using the year end rates of exchange for the statements of financial position items and the average rates of exchange for the year for the income statement items. Exchange translation differences are recognized directly in other comprehensive income.

(d) Property, Plant and Equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price of the asset and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statements during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate asset costs less accumulated impairment losses over their estimated useful lives. The principal estimated useful lives are as follows:

Buildings	20 years
Leasehold improvements	Over the unexpired period of the lease or 5 years, whichever is shorter
Plant and equipment	10 years
Furniture and fixtures, other equipment and motor vehicles	5 years

The assets' useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing net sales proceeds with the carrying amount of the relevant assets and are recognized in the consolidated income statements.

(e) Construction in Progress

Construction in progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for its intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2(d).

(f) Other Intangible Asset

The Group's other intangible asset represents promotion and marketing rights. Other intangible asset has a definite useful life and is carried at historical cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight-line method to allocate its cost over its estimated useful life of ten years.

(g) Research and Development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will generate future economic benefits by considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs with a finite useful life that have been capitalized, if any, are amortized on a straight-line basis over the period of expected benefit not exceeding five years. The capitalized development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

Where the research phase and the development phase of an internal project cannot be clearly distinguished, all expenditure incurred on the project is charged to the consolidated income statements.

(h) Impairment of Non-Financial Assets

Assets are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognized in the consolidated income statements. Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use are not subject to amortization and are tested for impairment annually and when there are indications that the carrying value may not be recoverable.

(i) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade and Other Receivables

Trade and other receivables are recognized initially at fair value, which is the amount of consideration that is unconditional. Trade and other receivables solely represent payments of principal and interest, if any, and the Group holds such financial assets with the objective to collect its contractual cash flows. Therefore, the Group measures them subsequently at amortized cost using the effective interest method, less any loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. All other receivables at amortized cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses. The amount of the provision is recognized in the consolidated income statements.

(k) Cash and Cash Equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, if any.

(l) Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade and other payables) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of a financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(m) Current and Deferred Income Tax

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes related to the same fiscal authority.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(n) Employee Benefits

The employees of the Group participate in defined contribution retirement benefit plans managed by the relevant municipal and provincial governments in the PRC. The assets of these plans are held separately from the Group. The Group is required to make monthly contributions to the plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations to all existing and future retired employees under the plans described above. Other than the monthly contributions, the Group has no further obligations for the payment of the retirement and other post-retirement benefits of its employees.

(o) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

(p) Leases

The IASB has issued IFRS 16, a new standard for leases which replaced IAS 17. The core principle of IFRS 16 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize on the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

Right-of-use assets were measured on transition as if the new rules had always been applied. As a result, the Group has recognized a gross up to the consolidated statement of financial position on the date of adoption of US$1.0 million and US$0.9 million in right-of-use assets and lease liabilities respectively, primarily related to the Group's various offices under non-cancellable lease agreements that were accounted as operating leases under IAS 17 as at December 31, 2018.

Under IFRS 16

A lease is recognized as a right-of-use asset with a corresponding liability at the date which the leased asset is available for use by the Group. The Group recognizes an obligation to make lease payments equal to the present value of the lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option.

Lease liabilities include the net present value of the following lease payments: (i) fixed payments; (ii) variable lease payments that depend on an index or a rate; and (iii) payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, if any. Lease liabilities exclude the following payments that are generally accounted for separately: (i) non-lease components, such as maintenance and security service fees and value added tax, and (ii) any payments that a lessee makes before the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be determined, the lessee's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds in its currency and jurisdiction necessary to obtain an asset of similar value, economic environment and terms and conditions.

An asset representing the right to use the underlying asset during the lease term is recognized that consists of the initial measurement of the lease liability, any lease payments made to the lessor at or before the commencement date less any lease incentives received, any initial direct cost incurred by the Group and any restoration costs.

After commencement of the lease, each lease payment is allocated between lease liability and finance costs. The finance costs are recognized over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the period of the lease.

Payments associated with short-term leases are recognized as lease expenses on a straight-line basis over the period of the leases.

Leasehold land is accounted under IFRS 16.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as at January 1, 2019. The Group's weighted average incremental borrowing rate applied on January 1, 2019 was 4.75% per annum.

A reconciliation of the Group's reported operating lease commitments as at December 31, 2018 and the Group's lease liabilities recognized upon adoption of IFRS 16 as at January 1, 2019 was as follows:

	(in US$'000)
Operating lease commitments as at December 31, 2018 (note)	1,241
Less: Leases not commenced as at January 1, 2019	(187)
Less: Short-term leases	(36)
Less: Discount under the lessees' incremental borrowing rate as at January 1, 2019	(87)
Lease liabilities recognized as at January 1, 2019	931

Note: Future aggregate minimum payments under non-cancellable operating leases under IAS 17 were as follows:

	December 31, 2018 (in US$'000)
Not later than 1 year	610
Between 1 to 2 years	521
Between 2 to 3 years	98
Between 3 to 4 years	7
Between 4 to 5 years	5
	1,241

The Group recognized right-of-use assets as at January 1, 2019 measured at their carrying amounts as if IFRS 16 had been applied since their commencement dates, but discounted using the lessees' incremental borrowing rate as at January 1, 2019.

Recognized right-of-use assets upon adoption, excluding leasehold land, were offices of US$1.0 million.

There were no adjustments to net cash generated from/(used in) operating activities, investing activities or financing activities in the consolidated statement of cash flows.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard: (i) no reassessment of whether any expired or existing contracts are or contain leases; (ii) no reassessment of the lease classification for any expired or existing leases; (iii) the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and (iv) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Under IAS 17

The Group's accounting policy for leases before January 1, 2019 is detailed below.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statements on a straight-line basis over the period of the leases.

(q) Government Incentives

Incentives from government are recognized at their fair values where there is a reasonable assurance that the incentives will be received and all attached conditions will be complied with.

Government incentives relating to costs are deferred and recognized in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other payables, accruals and advance receipts and non-current liabilities as deferred income and credited to the consolidated income statements on a straight-line basis over the expected lives of the related assets.

(r) Revenue and Income Recognition

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Group from a customer, are also excluded from revenue. The Group recognizes revenue when it satisfies a performance obligation by transferring control over a good to a customer.

The Group principally generates revenue from sales of goods. Revenue from sales of goods is recognized when the customer takes possession of the goods. This usually occurs upon completed delivery of the goods to the customer site. The amount of revenue recognized is adjusted for expected sales incentives as stipulated in the contract, which are generally issued to customers as direct discounts at the point-of-sale or indirectly in the form of rebates. Sales incentives are estimated using the expected value method. Additionally, sales are generally made with a limited right of return under certain conditions. Revenues are recorded net of provisions for sales discounts and returns.

Revenue from provision of services is recognized when the benefits of the services transfer to the customer over time, which is based on the proportionate value of services rendered as determined under the terms of the relevant contract. Additionally, when the amounts that can be invoiced correspond directly with the value to the customer for performance completed to date, the Group recognizes revenue from provision of services based on amounts that can be invoiced to the customer.

Payments in advance from customers are deferred if consideration is received in advance of transferring control of the goods or rendering of services. Accounts receivable is recognized if the Group has an unconditional right to bill the customer, which is generally when the customer takes possession of the goods or services are rendered. Payment terms differ by subsidiary and customer, but generally range from 45 to 180 days from the invoice date.

(s) Interest Income

Interest income is recognized on a time-proportion basis using the effective interest method.

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Company's Board of Directors, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(u) General Reserves

In accordance with the laws applicable to Foreign Investment Enterprises established in the PRC, the Company makes appropriations to certain non-distributable reserve funds including the general reserve fund, the enterprise expansion fund and the staff bonus and welfare fund. The amount of appropriations to these funds are made at the discretion of the Company's Board of Directors.

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The Group does not use any derivative financial instruments for speculative purposes.

(i) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables (including bills receivables) and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk of the counterparty in relation to its financial assets.

Substantially all of the Group's cash and cash equivalents are deposited in major financial institutions, which management believes are of high credit quality. The Group has a practice to limit the amount of credit exposure to any financial institution.

Bills receivables are mostly settled by state-owned banks or other reputable banks and therefore the management considers that they will not expose the Group to any significant credit risk.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

Management periodically assesses the recoverability of trade receivables and other receivables. The Group's historical loss rates are adjusted to reflect current and forward-looking information on specific factors affecting the ability of the customers to settle the receivables, and historical experience collecting receivables falls within the recorded allowances.

(ii) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding when necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long term.

As at December 31, 2020 and 2019, the Group's current financial liabilities were mainly due for settlement within twelve months and the Group expects to meet all liquidity requirements.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure to ensure an optimal balance between higher shareholders' return that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the liabilities to assets ratio. This ratio is calculated as total liabilities divided by total assets as shown on the consolidated statements of financial position.

Currently, it is the Group's strategy to maintain a reasonable liabilities to assets ratio. The liabilities to assets ratio as at December 31, 2020 and 2019 was as follows:

	December 31,	
	2020	2019
	(in US$'000)	
Total liabilities	116,612	85,607
Total assets	269,320	232,345
Liabilities to assets ratio	43.3 %	36.8 %

(c) Fair value estimation

The Group does not have any financial assets or liabilities which are carried at fair value. The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and bills receivables and other receivables, and current financial liabilities, including trade payables and other payables and accruals, approximate their fair values due to their short-term maturities. The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical Accounting Estimates and Judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements. The preparation of consolidated financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the consolidated financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the consolidated financial statements.

(a) Sales rebates

Certain sales rebates are provided to customers when their business performance for an agreed period within the year and the whole year meets certain criteria as stipulated in the contracts. Sales rebates are considered variable consideration and the estimate of sales rebates during the year is based on estimated sales transactions for the entire period stipulated and is subject to change based on actual performance and collection status.

(b) Useful lives of property, plant and equipment

The Group has made substantial investments in property, plant and equipment. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

(c) Deferred income tax

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilized. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Where the final outcomes are different from the estimations, such differences will impact the carrying amount of deferred tax in the period in which such determination is made.

5. Revenue and Segment Information

Management has reviewed the Group's internal reporting in order to assess performance and allocate resources, and has determined that the Group has two reportable operating segments as follows:

—Manufacturing business—manufacture and distribution of drug products

—Distribution business—provision of sales, distribution and marketing services to pharmaceutical manufacturers

The operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing approaches. The performance of each of the reportable segments is assessed based on a measure of operating profit/(loss).

The segment information is as follows:

	Year Ended December 31, 2020		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Revenue from external customers	270,954	5,400	276,354
Interest income	396	579	975
Operating profit/(loss)	78,069	(204)	77,865
Finance costs	11	1	12
Depreciation/amortization	8,670	65	8,735
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,037	57	3,094

	December 31, 2020		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Total segment assets	261,965	7,355	269,320

	Year Ended December 31, 2019		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Revenue from external customers	260,986	11,096	272,082
Interest income	300	282	582
Operating profit/(loss)	74,319	(1,961)	72,358
Finance costs	33	9	42
Depreciation/amortization	7,913	185	8,098
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,958	17	2,975

	December 31, 2019		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Total segment assets	226,976	5,369	232,345

	Year Ended December 31, 2018		
	Manufacturing business PRC	Distribution business PRC	Total
		(in US$'000)	
Revenue from external customers	252,542	23,107	275,649
Interest income	348	325	673
Operating profit	66,274	2,864	69,138
Depreciation/amortization	7,500	5	7,505
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,135	3	3,138

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated was US$62.2 million for 2020 (2019: US$60.8 million; 2018: US$82.8 million). Sales between segments are carried out at mutually agreed terms. Revenue from external customers from the manufacturing business is for sales of goods which are recognized at a point in time. Revenue from external customers from the distribution business is for provision of services which are recognized over time.

6. Other Net Operating Income

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Interest income	975	582	673
Net foreign exchange gain/(loss)	70	(20)	(32)
Other operating income	2,428	2,379	2,064
	3,473	2,941	2,705

7. Operating Profit

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Operating profit	77,865	72,358	69,138

Operating profit is stated after charging/(crediting) the following:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Cost of inventories recognized as expense	47,299	55,653	53,837
Depreciation of property, plant and equipment	7,878	7,148	7,109
(Gain)/Loss on disposal of property, plant and equipment	(2)	11	26
Amortization of leasehold land	160	161	168
Amortization of other intangible asset	217	218	228
Depreciation charge of right-of-use assets and lease expenses	725	724	764
Movement on the provision for trade receivables	(9)	9	—
Provision for excess and obsolete inventories	2,447	1,062	79
Research and development expense	6,301	4,422	2,158
Auditor's remuneration	198	194	173
Employee benefit expenses (Note 9)	80,728	80,647	85,943

8. Taxation Charge

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Current tax	12,520	10,300	13,088
Deferred income tax (Note 16)	(1,687)	715	(3,717)
Taxation charge	10,833	11,015	9,371

The taxation charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Group's weighted average tax rate as follows:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Profit before taxation	77,853	72,316	69,138
Tax calculated at the statutory tax rates of respective companies	19,463	18,079	17,285
Tax effects of:			
Expenses not deductible for tax purposes	1,137	2,938	4,099
Utilization of unrecognized temporary differences	(938)	(1,669)	(3,614)
Tax concession (note)	(8,753)	(8,541)	(8,263)
(Over)/under provision in prior years	(76)	208	(136)
Taxation charge	10,833	11,015	9,371

Note: The Company has successfully renewed the High and New Technology Enterprise status in 2020. Accordingly, the Company is subject to a preferential income tax rate of 15% (2019: 15%; 2018: 15%) for 3 years (i.e. 2020, 2021, 2022). Certain research and development expenses are also eligible for super-deduction such that 175% of qualified expenses incurred are deductible against taxable profits for tax purposes (2019: 175%; 2018: 175%).

The weighted average tax rate calculated at the statutory tax rates of respective companies for the year was 25% (2019: 25%; 2018: 25%). The effective tax rate for the year was 13.9% (2019: 15.2%; 2018: 13.6%).

9. Employee Benefit Expenses

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Wages, salaries and bonuses	68,226	60,353	65,611
Pension costs—defined contribution plans (note)	995	7,689	8,437
Staff welfare	11,507	12,605	11,895
	80,728	80,647	85,943

Note: The Group received social security concession of US$7.8 million for the year ended December 31, 2020.

Employee benefit expenses of approximately US$16.4 million (2019: US$18.8 million; 2018: US$23.2 million) are included in cost of sales.

10. Cash and cash equivalents

	December 31,	
	2020	2019
	(in US$'000)	
Cash and cash equivalents	72,478	41,244

The cash and cash equivalents denominated in RMB were deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

11. Trade and Bills Receivables

	December 31,	
	2020	2019
	(in US$'000)	
Trade receivables—third parties	13,996	18,354
Trade receivables—related parties (Note 22(b))	1,384	696
Bills receivables	3,041	5,722
	18,421	24,772

All trade and bills receivables are denominated in RMB and are due within one year from the end of the reporting period. The carrying values of trade and bills receivables approximate their fair values due to their short-term maturities.

Movements on the provision for trade receivables are as follows:

	2020	2019	2018
		(in US$'000)	
As at January 1	9	—	—
Increase in provision for trade receivables	—	9	—
Decrease in provision due to subsequent collection	(9)	—	—
As at December 31	—	9	—

12. Other Receivables, Prepayments and Deposits

	December 31,	
	2020	2019
	(in US$'000)	
Prepayments to suppliers	1,356	1,058
Interest receivables	171	98
Deposits	1,338	1,434
Others	527	345
	3,392	2,935

13. Inventories

	December 31,	
	2020	2019
	(in US$'000)	
Raw materials	31,501	29,655
Work in progress	32,684	24,164
Finished goods	17,489	18,498
	81,674	72,317

14. Property, plant and equipment

	Buildings situated in the PRC	Leasehold improvements	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)			
Cost						
As at January 1, 2020	68,213	539	22,606	9,526	2,828	103,712
Additions	—	—	581	935	1,519	3,035
Disposals	—	—	(53)	(134)	—	(187)
Transfers	334	—	361	1,155	(1,850)	—
Exchange differences	4,933	39	1,678	791	188	7,629
As at December 31, 2020	73,480	578	25,173	12,273	2,685	114,189
Accumulated depreciation						
As at January 1, 2020	11,212	383	8,760	5,665	1,116	27,136
Depreciation	3,493	88	2,786	1,511	—	7,878
Disposals	—	—	(35)	(91)	—	(126)
Exchange differences	994	33	777	485	80	2,369
As at December 31, 2020	15,699	504	12,288	7,570	1,196	37,257
Net book value						
As at December 31, 2020	57,781	74	12,885	4,703	1,489	76,932

	Buildings situated in the PRC	Leasehold improvements	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)			
Cost						
As at January 1, 2019	69,434	480	22,583	7,934	3,508	103,939
Additions	—	73	334	1,511	856	2,774
Disposals	—	—	(41)	(170)	—	(211)
Transfers	620	—	337	500	(1,457)	—
Exchange differences	(1,841)	(14)	(607)	(249)	(79)	(2,790)
As at December 31, 2019	68,213	539	22,606	9,526	2,828	103,712
Accumulated depreciation						
As at January 1, 2019	8,035	300	6,786	4,614	1,146	20,881
Depreciation	3,465	93	2,229	1,361	—	7,148
Disposals	—	—	(28)	(163)	—	(191)
Exchange differences	(288)	(10)	(227)	(147)	(30)	(702)
As at December 31, 2019	11,212	383	8,760	5,665	1,116	27,136
Net book value						
As at December 31, 2019	57,001	156	13,846	3,861	1,712	76,576

	Buildings situated in the PRC	Leasehold improvements	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)			
Cost						
As at January 1, 2018	72,070	501	23,158	7,574	2,415	105,718
Additions	114	—	516	770	1,738	3,138
Disposals	—	—	(104)	(269)	—	(373)
Transfers	293	—	—	204	(497)	—
Exchange differences	(3,043)	(21)	(987)	(345)	(148)	(4,544)
As at December 31, 2018	69,434	480	22,583	7,934	3,508	103,939
Accumulated depreciation						
As at January 1, 2018	4,763	206	4,870	3,949	1,196	14,984
Depreciation	3,603	107	2,267	1,132	—	7,109
Disposals	—	—	(67)	(267)	—	(334)
Exchange differences	(331)	(13)	(284)	(200)	(50)	(878)
As at December 31, 2018	8,035	300	6,786	4,614	1,146	20,881
Net book value						
As at December 31, 2018	61,399	180	15,797	3,320	2,362	83,058

15. Leases

Leases consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Right-of-use assets		
Offices	152	562
Lease liabilities—current	133	444
Lease liabilities—non-current	19	100
	152	544

Lease activities are summarized as follows:

	Year Ended December 31,	
	2020	2019
	(in US$'000)	
Lease expenses: Short-term leases with lease terms equal or less than 12 months	245	153
Depreciation charge of right-of-use assets	480	571
Interest expense (included in finance costs)	12	42
Cash paid on lease liabilities	474	595
Non-cash: Lease liabilities recognized from obtaining right-of-use assets	58	201

Lease contracts are typically within a period of 1 to 5 years. The weighted average remaining lease term and weighted average discount rate as at December 31, 2020 was 0.89 years (2019: 1.24 years) and 4.75% (2019: 4.75%) respectively.

Future lease payments are as follows:

	December 31,	
	2020	2019
	(in US$'000)	
Lease payments:		
Not later than 1 year	135	460
Between 1 to 2 years	19	99
Between 2 to 3 years	—	2
Total lease payments	154	561
Less: Discount factor	(2)	(17)
Total lease liabilities	152	544

16. Deferred Tax Assets

The movements in deferred tax assets are as follows:

	2020	2019	2018
		(in US$'000)	
As at January 1	6,147	7,091	3,594
Credited/(debited) to the consolidated income statements			
—Accrued expenses, provisions, deferred income, accelerated depreciation and other temporary differences (note)	1,687	(715)	3,717
Exchange differences	481	(229)	(220)
As at December 31	8,315	6,147	7,091

Note: During the year ended December 31, 2019, the Group utilized US$0.9 million deferred tax assets which was recognized during the year ended December 31, 2018 on temporary differences arising from advertising and promotion expenditures.

The Group's deferred tax assets are mainly temporary differences including accrued expenses, provisions, deferred income, accelerated depreciation and other temporary differences. The potential deferred tax assets in respect of tax losses which have not been recognized in the consolidated financial statements were approximately US$0.7 million as at December 31, 2020 (2019: US$1.3 million).

These unrecognized tax losses can be carried forward against future taxable income and will expire in the following years:

	December 31,	
	2020	2019
	(in US$'000)	
2020	—	39
2021	35	35
2022	7	195
2023	2,550	4,697
2024	76	76
2025	7	—
	2,675	5,042

17. Trade Payables

	December 31,	
	2020	2019
	(in US$'000)	
Trade payables—third parties	8,711	6,604
Trade payables—related parties (Note 22(b))	2,463	3,665
	11,174	10,269

All trade payables are denominated in RMB and due within one year from the end of the reporting period. The carrying value of trade payables approximates their fair values due to their short-term maturities.

18. Other Payables, Accruals and Advance Receipts

	December 31,	
	2020	2019
	(in US$'000)	
Accrued salaries and benefits	17,536	12,361
Accrued selling and marketing expenses	59,930	38,477
Value-added tax and tax surcharge payables	8,794	8,003
Payments in advance from customers (note)	2,750	4,158
Others	4,524	3,426
	93,534	66,425

Note: Substantially all customer balances as at December 31, 2019 were recognized to revenue during the year ended December 31, 2020. Additionally, substantially all customer balances as at December 31, 2020 are expected to be recognized to revenue within one year upon transfer of goods or services as the contracts have an expected duration of one year or less.

19. Current Tax Liabilities

	2020	2019	2018
		(in US$'000)	
As at January 1	2,395	5,671	5,341
Current tax (Note 8)	12,520	10,300	13,088
Tax paid	(10,232)	(13,618)	(12,158)
Exchange difference	192	42	(600)
Transfer to other receivables	157	—	—
As at December 31	5,032	2,395	5,671

20. Notes to the Consolidated Statements of Cash Flows

(a) Reconciliation of profit for the year to net cash generated from operations:

	2020	2019	2018
		(in US$'000)	
Profit for the year	67,020	61,301	59,767
Adjustments to reconcile profit for the year to net cash generated from operations			
Taxation charge	10,833	11,015	9,371
Finance costs	12	42	—
Interest income	(975)	(582)	(673)
Depreciation on property, plant and equipment	7,878	7,148	7,109
(Gain)/loss on disposal of property, plant and equipment	(2)	11	26
Amortization of leasehold land	160	161	168
Amortization of other intangible asset	217	218	228
Depreciation charge of right-of-use assets	480	571	—
Provision for excess and obsolete inventories	2,447	1,062	79
Movement on the provision for trade receivables	(9)	9	—
Exchange differences	2,057	(1,439)	(568)
Changes in working capital:			
Trade and bills receivables	6,360	7,053	(9,389)
Other receivables, prepayments and deposits	(227)	(218)	(216)
Inventories	(11,804)	(8,459)	(3,892)
Trade payables	905	3,097	(4,601)
Other payables, accruals and advance receipts	26,511	(3,271)	(1,003)
Deferred income	746	(935)	(1,707)
Total changes in working capital	22,491	(2,733)	(20,808)
Net cash generated from operations	112,609	76,784	54,699

(b) Supplemental disclosure for non-cash activities

During the years ended December 31, 2020, there was an increase in accruals made for purchases of property, plant and equipment of US$0.6 million (2019 and 2018: a decrease of US$1.8 million and US$2.0 million respectively).

21. Capital commitments

The Group had the following capital commitments:

	December 31, 2020
	(in US$'000)
Property, plant and equipment	
Contracted but not provided for	902

Capital commitments for property, plant and equipment are mainly for improvements to the Group's plant.

22. Significant Related Party Transactions

The Group has the following significant transactions with related parties which were carried out in the normal course of business at terms determined and agreed by the relevant parties:

(a) Transactions with related parties:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Sales of goods to:			
—A fellow subsidiary of SHTCML	10,465	12,459	10,987
—A fellow subsidiary of SHCM(HK)IL	2,854	2,255	2,071
	13,319	14,714	13,058
Purchase of goods from:			
—SHTCML	7,922	4,609	—
—Fellow subsidiaries of SHTCML	1,016	3,263	12,219
	8,938	7,872	12,219
Rendering of research and development services from:			
—A fellow subsidiary of SHCM(HK)IL	491	494	859
Provision of marketing services to:			
—A fellow subsidiary of SHTCML	2,781	5,045	5,917
—A fellow subsidiary of SHCM(HK)IL	—	2,682	12,703
	2,781	7,727	18,620
Leasing office from:			
—SHTCML	337	335	297

No transactions have been entered into with the directors of the Company (being the key management personnel) during the year ended December 31, 2020 (2019 and 2018: nil).

(b) Balances with related parties included in:

	December 31,	
	2020	2019
	(in US$'000)	
Trade and bills receivables		
—A fellow subsidiary of SHTCML	1,384	696
Other receivables, prepayments and deposits		
—A fellow subsidiary of SHTCML	946	1,338
Right-of-use assets		
—SHTCML	87	409
Trade payables		
—SHTCML	2,054	3,437
— Fellow subsidiaries of SHTCML	409	228
	2,463	3,665
Other payables, accruals and advance receipts		
—Fellow subsidiaries of SHCM(HK)IL	986	986
Lease liabilities		
—SHTCML	94	424

Balances with related parties are unsecured, interest-free and repayable on demand. The carrying values of balances with related parties approximate their fair values due to their short-term maturities.

23. Particulars of Principal Subsidiaries

Name	Place of establishment and operation	Nominal value of registered capital		Equity interest attributable to the Group		Type of legal entity	Principal activity
		December 31,					
		2020	2019	2020	2019		
		(in RMB'000)					
Shanghai Shangyao Hutchison Whampoa GSP Company Limited	PRC	20,000	20,000	100 %	100 %	Limited liability company	Distribution of drug products
Hutchison Heze Bio Resources & Technology Co., Limited	PRC	1,500	1,500	100 %	100 %	Limited liability company	Agriculture and sales of Chinese herbs

24. Subsequent Events

The Group evaluated subsequent events through March 4, 2021, which is the date when the consolidated financial statements were issued.

HUTCHISON WHAMPOA GUANGZHOU BAIYUNSHAN CHINESE MEDICINE COMPANY LIMITED

Report of Independent Auditors

To the Board of Directors and Shareholders of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited

We have audited the accompanying consolidated financial statements of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated income statements, consolidated statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2020.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Guangzhou, the People's Republic of China
March 4, 2021

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Consolidated Income Statements
(in US$'000)

	Note	Year Ended December 31, 2020	2019	2018
Revenue	5	232,368	215,403	215,838
Cost of sales		(115,564)	(100,279)	(102,701)
Gross profit		116,804	115,124	113,137
Selling expenses		(74,066)	(74,013)	(70,501)
Administrative expenses		(25,664)	(23,817)	(25,997)
Other net operating income	6	6,071	5,626	4,085
Operating profit	7	**23,145**	**22,920**	**20,724**
Share of (losses)/profits of a joint venture and associated companies, net of tax		(84)	60	131
Finance costs		(57)	(59)	(152)
Gain on return of land	8	84,667	—	—
Gain on divestment of a subsidiary	25(b)	37	—	—
Profit before taxation		**107,708**	**22,921**	**20,703**
Taxation charge	9	(16,494)	(3,634)	(4,227)
Profit for the year		**91,214**	**19,287**	**16,476**
Attributable to:				
Shareholders of the Company		91,276	19,792	16,860
Non-controlling interests		(62)	(505)	(384)
		91,214	19,287	16,476

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Consolidated Statements of Comprehensive Income
(in US$'000)

	Year Ended December 31,		
	2020	2019	2018
Profit for the year	**91,214**	**19,287**	**16,476**
Other comprehensive income/(loss) that has been or may be reclassified subsequently to profit or loss:			
Exchange translation differences	4,728	(3,353)	(5,640)
Total comprehensive income	**95,942**	**15,934**	**10,836**
Attributable to:			
Shareholders of the Company	95,976	16,529	11,368
Non-controlling interests	(34)	(595)	(532)
	95,942	15,934	10,836

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Consolidated Statements of Financial Position
(in US$'000)

	Note	December 31, 2020	2019
Assets			
Current assets			
Cash and cash equivalents	11	16,602	21,421
Trade and bills receivables	12	67,417	48,273
Other receivables, prepayments and deposits	13	50,121	8,593
Inventories	14	43,748	46,417
Total current assets		**177,888**	**124,704**
Property, plant and equipment	15	60,181	60,317
Right-of-use assets	16	820	1,525
Leasehold land		8,419	9,259
Goodwill		8,751	8,163
Other intangible assets		2,108	2,375
Investments in a joint venture and associated companies		584	616
Deferred tax assets	17	3,141	2,323
Other non-current assets	18	11,689	10,490
Total assets		**273,581**	**219,772**
Liabilities and shareholders' equity			
Current liabilities			
Trade payables	19	22,579	12,699
Other payables, accruals and advance receipts	20	98,861	61,877
Dividend payable	24(b)	—	46,962
Lease liabilities	16	568	611
Current tax liabilities		15,171	1,902
Total current liabilities		**137,179**	**124,051**
Deferred tax liabilities	17	114	106
Deferred income	21	15,617	15,244
Dividend payable	24(b)	—	32,380
Lease liabilities	16	303	960
Total liabilities		**153,213**	**172,741**
Company's shareholders' equity			
Share capital		24,103	24,103
Reserves		95,283	20,410
Total Company's shareholders' equity		119,386	44,513
Non-controlling interests		982	2,518
Total shareholders' equity		**120,368**	**47,031**
Total liabilities and shareholder's equity		**273,581**	**219,772**

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Consolidated Statements of Changes in Equity
(in US$'000)

	Attributable to shareholders of the Company						
	Share capital	Exchange reserve	General reserves	Retained earnings	Total	Non-Controlling interests	Total equity
As at January 1, 2018	**24,103**	**6,712**	**131**	**79,670**	**110,616**	**3,645**	**114,261**
Profit/(loss) for the year	—	—	—	16,860	16,860	(384)	16,476
Other comprehensive loss							
Exchange translation differences	—	(5,492)	—	—	(5,492)	(148)	(5,640)
Total comprehensive (loss)/income	—	(5,492)	—	16,860	11,368	(532)	10,836
As at December 31, 2018	**24,103**	**1,220**	**131**	**96,530**	**121,984**	**3,113**	**125,097**
Impact of change in accounting policy (IFRS 16)	—	—	—	(43)	(43)	—	(43)
As at January 1, 2019	**24,103**	**1,220**	**131**	**96,487**	**121,941**	**3,113**	**125,054**
Profit/(loss) for the year	—	—	—	19,792	19,792	(505)	19,287
Other comprehensive loss							
Exchange translation differences	—	(3,263)	—	—	(3,263)	(90)	(3,353)
Total comprehensive (loss)/income	—	(3,263)	—	19,792	16,529	(595)	15,934
Dividends declared to shareholders	—	—	—	(93,957)	(93,957)	—	(93,957)
As at December 31, 2019	**24,103**	**(2,043)**	**131**	**22,322**	**44,513**	**2,518**	**47,031**
Profit/(loss) for the year	—	—	—	91,276	91,276	(62)	91,214
Other comprehensive income							
Exchange translation differences	—	4,700	—	—	4,700	28	4,728
Total comprehensive income/(loss)	—	4,700	—	91,276	95,976	(34)	95,942
Dividends declared to shareholders	—	—	—	(20,756)	(20,756)	—	(20,756)
Acquisition of additional interest in a subsidiary (Note 25(a))	—	(9)	(131)	(207)	(347)	(1,537)	(1,884)
Divestment of a subsidiary to non-controlling interest (Note 25(b))	—	—	—	—	—	35	35
As at December 31, 2020	**24,103**	**2,648**	**—**	**92,635**	**119,386**	**982**	**120,368**

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Consolidated Statements of Cash Flows
(in US$'000)

	Note	Year Ended December 31, 2020	2019	2018
Operating activities				
Net cash generated from operations	22(a)	60,756	26,237	29,174
Interest received		271	160	81
Finance costs paid		(57)	(59)	(152)
Income tax paid		(4,013)	(3,363)	(3,729)
Net cash generated from operating activities		56,957	22,975	25,374
Investing activities				
Purchase of property, plant and equipment		(2,342)	(3,377)	(5,387)
Purchase of intangible asset		—	(356)	—
Proceeds from return of land	8	40,422	—	—
Proceeds from disposal of leasehold land		231	—	—
Proceeds from disposal of property, plant and equipment		730	—	—
Government grants received relating to property, plant and equipment		963	950	1,198
Net cash generated from/(used in) investing activities		40,004	(2,783)	(4,189)
Financing activities				
Dividends paid to shareholders		(100,842)	(14,615)	(15,077)
Repayment of advances from shareholder		—	—	(2,423)
Acquisition of additional interest in a subsidiary	25(a)	(1,884)	—	—
Lease payments	16	(609)	(556)	(103)
Net cash used in financing activities		(103,335)	(15,171)	(17,603)
Net (decrease)/increase in cash and cash equivalents		(6,374)	5,021	3,582
Effect of exchange rate changes on cash and cash equivalents		1,555	(443)	(582)
		(4,819)	4,578	3,000
Cash and cash equivalents				
Cash and cash equivalents at beginning of year		21,421	16,843	13,843
Cash and cash equivalents at end of year		16,602	21,421	16,843

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
Notes to the Consolidated Financial Statements

1. General Information

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in manufacturing, selling and distribution of over-the-counter drug products. The Group has manufacturing plants in the People's Republic of China (the "PRC") and sells mainly in the PRC.

The Company was incorporated in the PRC on April 12, 2005 as a Chinese-Foreign Equity joint venture. The Company is jointly controlled by Guangzhou Hutchison Chinese Medicine (HK) Investment Limited ("GZHCMHK") and Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited ("GBPHCL").

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated and have been approved for issue by the Company's Board of Directors on March 4, 2021.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared under the historical cost convention.

During the year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the IASB that are relevant to the Group's operations and mandatory for annual periods beginning January 1, 2020. The adoption of these new and revised standards, amendments and interpretations did not have any material effects on the Group's results of operations or financial position.

The following standards, amendments and interpretations were issued but not yet effective for the financial year ended December 31, 2020 and have not been early adopted by the Group:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)[1]	Interest rate benchmark reform – Phase 2
IFRS 3 (Amendments)[2]	Reference to the Conceptual Framework
IAS 16 (Amendments)[2]	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37 (Amendments)[2]	Onerous Contracts – Costs of Fulfilling a Contract
Annual improvement 2018-2020[2]	Improvements to IFRSs
IAS 1 (Amendments)[3]	Classification of Liabilities as Current or Non-current
IFRS 17[3]	Insurance Contracts
IFRS 10 and IAS 28 (Amendments)[4]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for the Group for annual periods beginning on or after January 1, 2021.

(2) Effective for the Group for annual periods beginning on or after January 1, 2022.

(3) Effective for the Group for annual periods beginning on or after January 1, 2023.

(4) Effective date to be determined by the IASB.

The adoption of standards, amendments and interpretations listed above in future periods is not expected to have any material effects on the Group's results of operations or financial position.

(a) Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries, and also include the Group's interests in a joint venture and associated companies on the basis set out in Notes 2(d) and 2(e) below.

The accounting policies of subsidiaries, the joint venture and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In the consolidated financial statements, subsidiaries are accounted for as described in Note 2(a) above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(c) Transactions with Non-controlling Interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Joint Arrangements

Investments in joint arrangements are classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. The joint venture is accounted for using the equity method.

Under the equity method of accounting, the interest in joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount in the consolidated income statements.

(e) Associated Companies

An associate is an entity, other than a subsidiary or a joint venture, in which the Group has a long-term equity interest and over which the Group is in position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and net assets of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognize any identified impairment loss in the value of individual investments.

(f) Foreign Currency Translation

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries, joint venture and associated companies is Renminbi ("RMB") whereas the consolidated financial statements are presented in US$, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated income statements.

The financial statements of the Company, subsidiaries, joint venture and associated companies are translated into the Company's presentation currency using the year end rates of exchange for the statements of financial position items and the average rates of exchange for the year for the income statement items. Exchange translation differences are recognized directly in other comprehensive income.

(g) Property, Plant and Equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price of the asset and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statements during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate asset costs less accumulated impairment losses over their estimated useful lives. The principal estimated useful lives are as follows:

Buildings and facilities	10-30 years
Plant and equipment	10 years
Furniture and fixtures, other equipment and motor vehicles	5 years

The assets' useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing net sales proceeds with the carrying amount of the relevant assets and are recognized in the consolidated income statements.

(h) Construction in Progress

Construction in progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for its intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2(g).

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition, or the excess of fair value of business over its fair value of the net identifiable assets injected into the Company upon its formation. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, the difference is recognized directly in the consolidated income statements.

Goodwill is retained at the carrying amount as a separate asset, and subject to impairment test annually and when there are indications that the carrying value may not be recoverable.

The profit or loss on disposal of a subsidiary is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill.

(j) Other Intangible Assets

The Group's other intangible assets mainly include distribution network and drugs licenses contributed from non-controlling shareholders. Other intangible assets have a definite useful life and are carried at historical cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight-line method to allocate costs over the estimated useful lives of ten years.

(k) Research and Development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will generate future economic benefits by considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs with a finite useful life that have been capitalized, if any, are amortized on a straight-line basis over the period of expected benefit not exceeding five years. The capitalized development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

Where the research phase and the development phase of an internal project cannot be clearly distinguished, all expenditure incurred on the project is charged to the consolidated income statements.

(l) Impairment of Non-Financial Assets

Assets are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognized in the consolidated income statements. Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use are not subject to amortization and are tested for impairment annually and when there are indications that the carrying value may not be recoverable.

(m) Non-current Assets (or Disposal Groups) Classified As Held For Sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (or disposal groups) except for certain assets as explained below, are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, and financial assets (other than investments in subsidiaries and associates), which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

(n) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) Trade and Other Receivables

Trade and other receivables are recognized initially at fair value, which is the amount of consideration that is unconditional. Trade and other receivables solely represent payments of principal and interest, if any, and the Group holds such financial assets with the objective to collect its contractual cash flows. Therefore, the Group measures them subsequently at amortized cost using the effective interest method, less any loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. All other receivables at amortized cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses. The amount of the provision is recognized in the consolidated income statements.

(p) Cash and Cash Equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, if any.

(q) Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade and other payables) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Current and Deferred Income Tax

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes related to the same fiscal authority.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(s) Employee Benefits

The employees of the Group participate in defined contribution retirement benefit plans managed by the relevant municipal and provincial governments in the PRC. The assets of these plans are held separately from the Group. The Group is required to make monthly contributions to the plans, calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations to all existing and future retired employees under the plans described above. Other than the monthly contributions, the Group has no further obligations for the payment of the retirement and other post-retirement benefits of its employees.

(t) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

(u) Leases

The Group adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

Right-of-use assets were measured on transition as if the new rules had always been applied. As a result, the Group has recognized a gross up to the consolidated statement of financial position on the date of adoption of US$0.6 million and US$0.6 million in right-of-use assets and lease liabilities respectively, primarily related to the Group's various warehouses under non-cancellable lease agreements that were accounted as operating leases under IAS 17 as at December 31, 2018.

Under IFRS 16

A lease is recognized as a right-of-use asset with a corresponding liability at the date which the leased asset is available for use by the Group. The Group recognizes an obligation to make lease payments equal to the present value of the lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option.

Lease liabilities include the net present value of the following lease payments: (i) fixed payments; (ii) variable lease payments that depend on an index or a rate; and (iii) payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option, if any. Lease liabilities exclude the following payments that are generally accounted for separately: (i) non-lease components, such as maintenance and security service fees and value added tax, and (ii) any payments that a lessee makes before the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be determined, the lessee's incremental borrowing rate being the rate that the lessee would have to pay to borrow the funds in its currency and jurisdiction necessary to obtain an asset of similar value, economic environment and terms and conditions.

An asset representing the right to use the underlying asset during the lease term is recognized that consists of the initial measurement of the lease liability, any lease payments made to the lessor at or before the commencement date less any lease incentives received, any initial direct cost incurred by the Group and any restoration costs.

After commencement of the lease, each lease payment is allocated between lease liability and finance costs. The finance costs are recognized over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the period of the lease.

Payments associated with short-term leases are recognized as lease expenses on a straight-line basis over the period of the leases.

Leasehold land is accounted under IFRS 16.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as at January 1, 2019. The Group's weighted average incremental borrowing rate applied on January 1, 2019 was 4.75% per annum.

A reconciliation of the Group's reported operating lease commitments as at December 31, 2018 and the Group's lease liabilities recognized upon adoption of IFRS 16 as at January 1, 2019 was as follows:

	(in US$'000)
Operating lease commitments as at December 31, 2018 (note)	1,232
Less: Short-term leases	(535)
Less: Discount under the lessees' incremental borrowing rate as at January 1, 2019	(60)
Lease liabilities recognized as at January 1, 2019	637

Note: Future aggregate minimum payments under non-cancellable operating leases under IAS 17 were as follows:

	December 31, 2018 (in US$'000)
Not later than 1 year	885
Between 1 to 2 years	144
Between 2 to 3 years	151
Between 3 to 4 years	52
	1,232

The Group recognized right-of-use assets as at January 1, 2019 measured at their carrying amounts as if IFRS 16 had been applied since their commencement dates, but discounted using the lessees' incremental borrowing rate as at January 1, 2019.

Recognized right-of-use assets upon adoption, excluding leasehold land, were warehouses of US$0.6 million.

There were no adjustments to net cash generated from/(used in) operating activities, investing activities or financing activities in the consolidated statement of cash flows.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard: (i) no reassessment of whether any expired or existing contracts are or contain leases; (ii) no reassessment of the lease classification for any expired or existing leases; (iii) the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and (iv) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Under IAS 17

The Group's accounting policy for leases before January 1, 2019 is detailed below.

Leases that transfer substantially all the rewards and risks of ownership of the assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statements so as to provide a constant periodic rate of charge over the lease terms.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statements on a straight-line basis over the period of the leases.

(v) Government Incentives

Incentives from government are recognized at their fair values where there is a reasonable assurance that the incentives will be received and all attached conditions will be complied with.

Government incentives relating to costs are deferred and recognized in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other payables, accruals and advance receipts and non-current liabilities as deferred income and credited to the consolidated income statements on a straight-line basis over the expected lives of the related assets.

(w) Revenue and Income Recognition

The Group principally generates revenue from sales of goods. Revenue from sales of goods is recognized when the customer takes possession of the goods. This usually occurs upon completed delivery of the goods to the customer site. The amount of revenue recognized is adjusted for expected sales incentives as stipulated in the contract, which are generally issued to customers as direct discounts at the point-of-sale or indirectly in the form of rebates. Sales incentives are estimated using the expected value method. Additionally, sales are generally made with a limited right of return under certain conditions. Revenues are recorded net of provisions for sales discounts and returns.

Revenue from provision of services is recognized when the benefits of the services transfer to the customer over time, which is based on the proportionate value of services rendered as determined under the terms of the relevant contract. Additionally, when the amounts that can be invoiced correspond directly with the value to the customer for performance completed to date, the Group recognizes revenue from provision of services based on amounts that can be invoiced to the customer.

Payments in advance from customers are deferred if consideration is received in advance of transferring control of the goods or rendering of services. Accounts receivable is recognized if the Group has an unconditional right to bill the customer, which is generally when the customer takes possession of the goods or services are rendered. Payment terms differ by subsidiary and customer, but generally range from 45 to 180 days from the invoice date.

(x) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Company's Board of Directors, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(z) General Reserves

In accordance with the laws applicable to Foreign Investment Enterprises established in the PRC, the Company makes appropriations to certain non-distributable reserve funds including the general reserve fund, the enterprise expansion fund and the staff bonus and welfare fund. The amount of appropriations to these funds are made at the discretion of the Company's Board of Directors.

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The Group does not use any derivative financial instruments for speculative purposes.

(i) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables (including bills receivables) and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk of the counterparty in relation to its financial assets.

Substantially all of the Group's cash and cash equivalents are deposited in major financial institutions, which management believes are of high credit quality.

Bills receivables are mostly settled by state-owned banks or other reputable banks and therefore the management considers that they will not expose the Group to any significant credit risk.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

Management periodically assesses the recoverability of trade receivables and other receivables. The Group's historical loss rates are adjusted to reflect current and forward-looking information on specific factors affecting the ability of the customers to settle the receivables, and historical experience collecting receivables falls within the recorded allowances.

(ii) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding when necessary. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long term.

As at December 31, 2020 and 2019, the Group's current financial liabilities were mainly due for settlement within twelve months and the Group expects to meet all liquidity requirements. Additionally, the Group's financial liabilities include current and non-current dividends payable to shareholders (refer to Note 24(b)), for which shareholders will only require settlement when sufficient cash and cash equivalents are available.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure to ensure an optimal balance between higher shareholders' return that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the liabilities to assets ratio. This ratio is calculated as total liabilities divided by total assets as shown on the consolidated statements of financial position.

Currently, it is the Group's strategy to maintain a reasonable liabilities to assets ratio. The liabilities to assets ratio as at December 31, 2020 and 2019 was as follows:

	December 31,	
	2020	2019
	(in US$'000)	
Total liabilities	153,213	172,741
Total assets	273,581	219,772
Liabilities to assets ratio	56.0 %	78.6 %

(c) Fair value estimation

The Group does not have any financial assets or liabilities which are carried at fair value. The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and bills receivables and other receivables, and current financial liabilities, including trade payables, and other payables and accruals and dividend payable, approximate their fair values due to their short-term maturities. The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical Accounting Estimates and Judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements. The preparation of consolidated financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the consolidated financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the consolidated financial statements.

(a) Sales rebates

Certain sales rebates are provided to customers when their business performance for the whole year meets certain criteria as stipulated in the contracts. Sales rebates are considered variable consideration and the estimate of sales rebates during the year is based on estimated sales transactions for the entire period stipulated and is subject to change based on actual performance and collection status.

(b) Useful lives of property, plant and equipment

The Group has made substantial investments in property, plant and equipment. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

(c) Impairment of non-financial assets

The Group tests at least annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(l). The recoverable amount of an asset or a cash-generating unit is determined based on the higher of the asset's or the cash-generating unit's fair value less costs to disposal and value-in-use. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value, and the growth rate assumptions in the cash flow projections which has been prepared on the basis of management's assumptions and estimates.

(d) Deferred income tax

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilized. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Where the final outcomes are different from the estimations, such differences will impact the carrying amount of deferred tax in the period in which such determination is made.

(e) Return of land to the government

In June 2020, the Group entered into an agreement with the government to return the land use right for a plot of land in Guangzhou to the government for cash consideration of up to RMB683.0 million (approximately US$101.2 million) (the "Land Compensation Agreement"). In November 2020, the Group determined that it had completed the return of land (Note 8). All material obligations as stipulated in the Land Compensation Agreement had been completed by November 2020, and since there were no further material obligations to be fulfilled by the Group and there was no recoverability risk on the receivable, control of the land had been passed to the government. RMB569.2 million (approximately US$86.1 million) of the consideration has been recognized as at December 31, 2020.

The remaining RMB113.8 million (approximately US$17.4 million) conditional consideration will be recognized upon the receipt of a completion confirmation from the government within 12 months from the date of the Land Compensation Agreement. The remaining procedures to complete the transaction are administrative processes of the government and are considered perfunctory. If the final outcome is different from these judgements, it will impact the timing and amount of gain recognized.

5. Revenue and Segment Information

Management has reviewed the Group's internal reporting in order to assess performance and allocate resources, and has determined that the Group has two reportable operating segments as follows:

—Manufacturing business—manufacture and distribution of drug products

—Distribution business—provision of sales, distribution and marketing services to pharmaceutical manufacturers

The operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing approaches. The performance of each of the reportable segments is assessed based on operating profit.

The segment information is as follows:

	Year Ended December 31, 2020		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Revenue from external customers	215,427	16,941	232,368
Interest income	188	83	271
Operating profit	20,833	2,312	23,145
Share of losses of joint venture and associated companies, net of tax	84	—	84
Finance costs	51	6	57
Depreciation/amortization	6,361	123	6,484
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,432	1	2,433

	December 31, 2020		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Total segment assets	243,578	30,003	273,581

	Year Ended December 31, 2019		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Revenue from external customers	202,852	12,551	215,403
Interest income	76	84	160
Operating profit	21,738	1,182	22,920
Share of profits of joint venture and associated companies, net of tax	60	—	60
Finance costs	40	19	59
Depreciation/amortization	6,411	125	6,536
Additions to non-current assets (other than financial instruments and deferred tax assets)	4,002	—	4,002

	December 31, 2019		
	Manufacturing business	Distribution business	
	PRC	PRC	Total
		(in US$'000)	
Total segment assets	193,732	26,040	219,772

	Year Ended December 31, 2018		
	Manufacturing business PRC	Distribution business PRC	Total
		(in US$'000)	
Revenue from external customers	205,949	9,889	215,838
Interest income	53	28	81
Operating profit	19,988	736	20,724
Share of profits of joint venture and associated companies, net of tax	131	—	131
Finance costs	152	—	152
Depreciation/amortization	5,956	9	5,965
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,471	—	3,471

Revenue from external customers is after elimination of inter-segment sales. The amount eliminated was US$0.1 million for 2020 (2019: US$0.7 million; 2018: US$1.9 million). Sales between segments are carried out at mutually agreed terms. Revenue from external customers is primarily for sales of goods which are recognized at a point in time, except for provision of services which are recognized over time of US$3.7 million in 2020 (2019: US$3.1 million; 2018: US$3.4 million) and included in the manufacturing business operating segment.

6. Other Net Operating Income

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Interest income	271	160	81
Gain on disposal of leasehold land	166	—	—
Loss on disposal of property, plant and equipment	(643)	(162)	(103)
Other operating income	6,734	6,226	4,332
Other operating expenses	(457)	(598)	(225)
	6,071	5,626	4,085

7. Operating Profit

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Operating profit	23,145	22,920	20,724

Operating profit is stated after charging/(crediting) the following:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Cost of inventories recognized as expense	100,906	85,802	89,939
Depreciation of property, plant and equipment	5,283	5,417	5,348
Impairment of property, plant and equipment	—	525	—
Loss on disposal of property, plant and equipment	643	162	103
Gain on disposal of leasehold land	(166)	—	—
Amortization of leasehold land	236	230	256
Amortization of other intangible assets	414	351	361
Depreciation charge of right-of-use assets and lease expenses	1,438	1,227	1,180
Movements on the provision for trade receivables	(20)	(70)	19
Movements on the provision for excess and obsolete inventories	474	314	769
Research and development expense	1,670	1,041	823
Auditor's remuneration	88	87	81
Employee benefit expenses (Note 10)	36,822	34,634	33,454

8. Gain on return of land

In November 2020, the Group completed all material obligations as stipulated in the Land Compensation Agreement including the deregistration of the land use right certificate. Therefore, the Group has recorded the return of leasehold land to the government for RMB569.2 million (approximately US$86.1 million), resulting in a gain of RMB559.7 million (approximately US$84.7 million) after deducting costs of RMB1.7 million (approximately US$0.3 million) to the Group. As at December 31, 2020, the Group has received RMB284.6 million (approximately US$40.4 million) and has recorded RMB284.6 million (approximately US$43.4 million) in other receivables, prepayments and deposits (Note 13). The remaining RMB113.8 million (approximately US$17.4 million) of cash consideration is conditional upon the receipt of a completion confirmation from the government within 12 months from the date of the Land Compensation Agreement and therefore has not been recognized as at December 31, 2020.

9. Taxation Charge

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Current tax	17,108	3,925	3,930
Deferred income tax (Note 17)	(614)	(291)	297
Taxation charge	16,494	3,634	4,227

The taxation charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Group's weighted average tax rate as follows:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Profit before taxation	107,708	22,921	20,703
Tax calculated at the statutory tax rates of respective companies	26,927	5,730	5,176
Tax effects of:			
Expenses not deductible for tax purposes	66	56	104
Tax concession (note)	(10,454)	(2,569)	(2,159)
Tax losses for which no deferred tax assets were recognized	339	522	1,005
Under/(over) provision in prior years	44	(17)	107
Others	(428)	(88)	(6)
Taxation charge	16,494	3,634	4,227

Note: The Company has been granted the High and New Technology Enterprise status. Accordingly, the Company is subject to a preferential income tax rate of 15% and renewed the status in 2020 (2019: 15%; 2018: 15%). Certain research and development expenses are also eligible for super-deduction such that 175% (2019: 175%; 2018: 175%) of qualified expenses incurred are deductible for tax purposes.

The weighted average tax rate calculated at the statutory tax rates of respective companies for the year was 25% (2019: 25%; 2018: 25%). The effective tax rate for the year was 15.3% (2019: 15.9%; 2018: 20.4%).

10. Employee Benefit Expenses

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Wages, salaries and bonuses	28,380	25,066	23,910
Pension costs—defined contribution plans	6,954	8,282	8,408
Staff welfare	1,488	1,286	1,136
	36,822	34,634	33,454

Employee benefit expenses of approximately US$11.1 million (2019: US$11.4 million; 2018: US$9.2 million) are included in cost of sales.

11. Cash and Cash Equivalents

	December 31,	
	2020	2019
	(in US$'000)	
Cash and cash equivalents	16,602	21,421

The cash and cash equivalents denominated in RMB were deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

12. Trade and Bills Receivables

	December 31,	
	2020	2019
	(in US$'000)	
Trade receivables—third parties	1,764	1,896
Trade receivables—related parties (Note 24(b))	3,485	1,770
Bills receivables	62,168	44,607
	67,417	48,273

All trade and bills receivables are denominated in RMB and are due within one year from the end of the reporting period. The carrying values of trade and bills receivables approximate their fair values due to their short-term maturities.

Movements on the provision for trade receivables are as follows:

	2020	2019	2018
		(in US$'000)	
As at January 1	19	90	75
Increase in provision for trade receivables	—	5	78
Decrease in provision due to subsequent collection	(20)	(75)	(59)
Exchange differences	1	(1)	(4)
As at December 31	—	19	90

The impaired and provided receivables as at December 31, 2019 were aged over 1 year.

13. Other Receivables, Prepayments and Deposits

	December 31,	
	2020	2019
	(in US$'000)	
Prepayments to suppliers	4,784	7,098
Value-added tax receivables	538	597
Land compensation receivable	43,414	—
Others	1,385	898
	50,121	8,593

14. Inventories

	December 31,	
	2020	2019
	(in US$'000)	
Raw materials	13,063	15,681
Work in progress	17,303	15,602
Finished goods	13,382	15,134
	43,748	46,417

15. Property, Plant and Equipment

	Buildings and facilities	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)		
Cost					
As at January 1, 2020	59,099	25,426	11,353	1,311	97,189
Additions	224	168	651	1,390	2,433
Disposals	(2,204)	(187)	(522)	—	(2,913)
Disposal of a subsidiary	(28)	—	(27)	—	(55)
Transfers	28	502	318	(848)	—
Exchange differences	4,148	1,860	842	126	6,976
As at December 31, 2020	61,267	27,769	12,615	1,979	103,630
Accumulated depreciation					
As at January 1, 2020	14,021	14,096	8,755	—	36,872
Depreciation	2,201	1,520	1,562	—	5,283
Disposals	(926)	(150)	(464)	—	(1,540)
Disposal of a subsidiary	(10)	—	(23)	—	(33)
Exchange differences	1,082	1,093	692	—	2,867
As at December 31, 2020	16,368	16,559	10,522	—	43,449
Net book value					
As at December 31, 2020	44,899	11,210	2,093	1,979	60,181

	Buildings and facilities	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)		
Cost					
As at January 1, 2019	61,319	25,866	10,700	1,423	99,308
Additions	158	415	533	1,395	2,501
Disposals	(1,005)	(673)	(319)	—	(1,997)
Transfers	227	502	741	(1,470)	—
Exchange differences	(1,600)	(684)	(302)	(37)	(2,623)
As at December 31, 2019	59,099	25,426	11,353	1,311	97,189
Accumulated depreciation					
As at January 1, 2019	12,739	12,929	7,707	—	33,375
Depreciation	2,299	1,569	1,549	—	5,417
Disposals	(887)	(294)	(287)	—	(1,468)
Impairment	241	267	17	—	525
Exchange differences	(371)	(375)	(231)	—	(977)
As at December 31, 2019	14,021	14,096	8,755	—	36,872
Net book value					
As at December 31, 2019	45,078	11,330	2,598	1,311	60,317

	Buildings and facilities	Plant and equipment	Furniture and fixtures, other equipment and motor vehicles	Construction in progress	Total
			(in US$'000)		
Cost					
As at January 1, 2018	63,378	26,720	8,494	1,973	100,565
Additions	228	539	1,607	1,097	3,471
Disposals	—	(343)	(47)	—	(390)
Transfers	399	82	1,101	(1,582)	—
Exchange differences	(2,686)	(1,132)	(455)	(65)	(4,338)
As at December 31, 2018	61,319	25,866	10,700	1,423	99,308
Accumulated depreciation					
As at January 1, 2018	10,880	12,110	6,758	—	29,748
Depreciation	2,406	1,626	1,316	—	5,348
Disposals	—	(249)	(38)	—	(287)
Exchange differences	(547)	(558)	(329)	—	(1,434)
As at December 31, 2018	12,739	12,929	7,707	—	33,375
Net book value					
As at December 31, 2018	48,580	12,937	2,993	1,423	65,933

16. Leases

Leases consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Right-of-use assets:		
Warehouses	820	1,268
Machinery	—	257
	820	1,525
Lease liabilities—current	568	611
Lease liabilities—non-current	303	960
	871	1,571

Lease activities are summarized as follows:

	Year Ended December 31,	
	2020	2019
	(in US$'000)	
Lease expenses: Short-term leases with lease terms equal or less than 12 months	887	689
Depreciation charge of right-of-use assets	551	538
Interest expense (included in finance costs)	57	59
Cash paid on lease liabilities	609	556
Non-cash: Lease liabilities recognized from obtaining right-of-use assets	—	1,145

Lease contracts are typically within a period of 1 to 6 years. The weighted average remaining lease term and weighted average discount rate as at December 31, 2020 was 1.56 years (2019: 2.51 years) and 4.75% (2019: 4.77%) respectively.

Future lease payments are as follows:

	December 31,	
	2020	2019
	(in US$'000)	
Lease payments:		
Not later than 1 year	598	671
Between 1 to 2 years	307	678
Between 2 to 3 years	—	320
Total lease payments	905	1,669
Less: Discount factor	(34)	(98)
Total lease liabilities	871	1,571

17. Deferred Tax Assets and Liabilities

	December 31,	
	2020	2019
	(in US$'000)	
Deferred tax assets	3,141	2,323
Deferred tax liabilities	(114)	(106)
Net deferred tax assets	3,027	2,217

The movements in net deferred tax assets are as follows:

	2020	2019	2018
		(in US$'000)	
At January 1	2,217	1,986	2,375
(Debited)/credited to the consolidated income statements			
—Tax losses	(396)	(27)	(867)
—Accrued expenses, provisions, depreciation allowances	1,010	318	570
Exchange differences	196	(60)	(92)
At December 31	3,027	2,217	1,986

The Group's deferred tax assets and liabilities are temporary differences including tax losses, accrued expenses, provisions and depreciation allowances. The potential deferred tax assets in respect of tax losses which have not been recognized in the consolidated financial statements were approximately US$1.6 million as at December 31, 2020 (2019:US$1.5 million).

These unrecognized tax losses can be carried forward against future taxable income and will expire in the following years:

	December 31,	
	2020	2019
	(in US$'000)	
2020	—	559
2021	926	873
2022	1,836	1,729
2023	849	792
2024	1,334	2,046
2025	1,431	—
	6,376	5,999

18. Other Non-Current Assets

	December 31,	
	2020	2019
	(in US$'000)	
Prepayment of leasehold land rights (note)	11,160	10,410
Others	529	80
	11,689	10,490

Note: Represents prepayments for a land use right. The title of the land is in the process of registration, pending remaining administrative procedures. The respective prepayments are recorded in other non-current assets until the registration is completed and title is transferred to the Company. As at December 31, 2020, this process is still in progress and the Group does not have right to use the land.

19. Trade Payables

	December 31,	
	2020	2019
	(in US$'000)	
Trade payables—third parties	16,852	10,023
Trade payables—related parties (Note 24(b))	5,727	2,676
	22,579	12,699

All trade payables are denominated in RMB and due within one year from the end of the reporting period. The carrying value of trade payables approximates their fair values due to their short-term maturities.

20. Other Payables, Accruals and Advance Receipts

	December 31,	
	2020	2019
	(in US$'000)	
Other payables and accruals		
Accrued salaries and benefits	4,715	3,714
Accrued selling and administrative expenses	27,872	15,901
Value-added tax and tax surcharge payables	2,207	2,471
Deposits received	5,866	4,769
Other payables to manufacturers	8,794	11,448
Others	6,017	4,831
	55,471	43,134
Advance receipts		
Payments in advance from customers (note)	41,963	17,035
Deferred government incentives	1,427	1,708
	43,390	18,743
	98,861	61,877

Note: Substantially all customer balances as at December 31, 2019 were recognized to revenue during the year ended December 31, 2020. Additionally, substantially all customer balances as at December 31, 2020 are expected to be recognized to revenue within one year upon transfer of goods or services as the contracts have an expected duration of one year or less.

21. Deferred Income

	December 31,	
	2020	2019
	(in US$'000)	
Deferred government incentives:		
Buildings and other non-current assets	11,890	11,904
Others	3,727	3,340
	15,617	15,244

22. Notes to the Consolidated Statements of Cash Flows

(a) Reconciliation of profit for the year to net cash generated from operations:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Profit for the year	91,214	19,287	16,476
Adjustments to reconcile profit for the year to net cash generated from operations			
Taxation charge	16,494	3,634	4,227
Finance costs	57	59	152
Interest income	(271)	(160)	(81)
Share of losses/(profits) of a joint venture and associated companies, net of tax	84	(60)	(131)
Depreciation on property, plant and equipment	5,283	5,417	5,348
Depreciation charge of right-of-use assets	551	538	—
Loss on disposal of property, plant and equipment	643	162	103
Gain on return of land	(84,667)	—	—
Gain on disposal of leasehold land	(166)	—	—
Impairment of property, plant and equipment	—	525	—
Amortization of leasehold land	236	230	256
Amortization of other intangible assets	414	351	361
Movement on the provision for trade receivables	(20)	(70)	19
Movement on the provision for excess and obsolete inventories	474	314	769
Amortization of deferred income	(1,689)	(2,187)	(1,753)
Gain on divestment of a subsidiary	(37)	—	—
Exchange differences	794	(1,120)	(1,617)
Changes in working capital:			
Trade and bills receivables	(19,124)	(1,524)	(10,330)
Other receivables, prepayments and deposits	1,902	(2,886)	1,229
Inventories	2,195	60	(3,137)
Other non-current assets	—	700	(302)
Trade payables	9,880	(2,965)	119
Other payables, accruals and advance receipts	36,509	5,932	17,466
Total changes in working capital	31,362	(683)	5,045
Net cash generated from operations	60,756	26,237	29,174

(b) Supplemental disclosure for non-cash activities

During the year ended December 31, 2020, there was an increase in accruals made for purchases of property, plant and equipment of US$0.1 million (2019 and 2018: a decrease of US$0.9 million and US$1.9 million respectively).

23. Capital commitments

The Group had the following capital commitments:

	December 31, 2020
	(in US$'000)
Property, plant and equipment	
Contracted but not provided for	1,633

Capital commitments for property, plant and equipment are mainly for improvements to the Group's plant.

24. Significant Related Party Transactions

The Group has the following significant transactions with related parties which were carried out in the normal course of business at terms determined and agreed by the relevant parties:

(a) Transactions with related parties:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Sales of goods to:			
—Fellow subsidiaries of GBPHCL	33,535	23,658	23,015
—A fellow subsidiary of GZHCMHK	493	210	756
	34,028	23,868	23,771
Other services income from:			
—An equity investee	273	275	—
—Fellow subsidiaries of GBPHCL	6,166	5,913	6,994
	6,439	6,188	6,994
Purchase of goods from:			
—An equity investee	2,317	3,216	4,349
—Fellow subsidiaries of GBPHCL	29,594	24,733	33,044
	31,911	27,949	37,393
Advertising expenses to:			
—A fellow subsidiary of GBPHCL	5,733	5,128	7,752
Interest paid to:			
—A fellow subsidiary of GBPHCL	—	—	45
—A non-controlling shareholder of a subsidiary	5	16	21
	5	16	66

No transactions have been entered into with the directors of the Company (being the key management personnel) during the year ended December 31, 2020 (2019 and 2018: nil).

(b) Balances with related parties included in:

	December 31,	
	2020	2019
	(in US$'000)	
Trade and bills receivables		
—An equity investee (note (i))	305	—
—Fellow subsidiaries of GBPHCL (note (i))	3,180	1,770
	3,485	1,770
Trade payables		
—Fellow subsidiaries of GBPHCL (note (i))	5,043	2,579
—An equity investee (note (i))	684	97
	5,727	2,676
Other receivables—related parties		
—Fellow subsidiaries of GBPHCL (note (i))	743	964
—An equity investee (note (i))	336	—
	1,079	964
Other payables, accruals and advance receipts		
—Fellow subsidiaries of GZHCMHK (note (i))	156	156
—Fellow subsidiaries of GBPHCL (note (i))	5,484	6,154
—GBPHCL (note (ii))	—	131
—An equity investee	—	228
	5,640	6,669
Dividend payable - current		
—GZHCMHK	—	23,481
—GBPHCL	—	23,481
	—	46,962
Dividend payable - non-current		
—GZHCMHK	—	16,190
—GBPHCL	—	16,190
	—	32,380

Notes:

(i) Balances are unsecured, interest-free and repayable on demand. The carrying values of balances with related parties approximate their fair values due to their short-term maturities.

(ii) Balance is unsecured, interest bearing and repayable on demand. The carrying value of balance with a related party approximates its fair value due to its short-term maturity.

25. Particulars of Principal Subsidiaries, a Joint Venture and Associated Companies

Name	Place of establishment and operation	Nominal value of registered capital		Equity interest attributable to the Group		Type of legal entity	Principal activity
		December 31,					
		2020	2019	2020	2019		
		(in RMB'000)					
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine (Bozhou) Co. Ltd	PRC	100,000	100,000	100 %	100 %	Limited liability company	Manufacture, sales and distribution of drug products
Hutchison Whampoa Guangzhou Baiyunshan Pharmaceuticals Limited	PRC	10,000	10,000	100 %	100 %	Limited liability company	Sales and marketing of drug products
Hutchison Whampoa Guangzhou Baiyunshan Health & Wellness Co. Ltd	PRC	10,000	10,000	100 %	100 %	Limited liability company	Health supplemented food distribution
Hutchison Whampoa Baiyunshan Lai Da Pharmaceuticals (Shan Tou) Company Limited ("Laida") (note (a))	PRC	10,000	10,000	100 %	70 %	Limited liability company	Manufacture, sales and distribution of drug products
Fuyang Baiyunshan Hutchison Whampoa Chinese Medicine Technology Company Limited	PRC	3,650	3,650	75 %	75 %	Limited liability company	Agriculture and sales of Chinese herbs
Wenshan Baiyunshan Hutchison Whampoa Sanqi Co. Ltd.	PRC	2,000	2,000	51 %	51 %	Limited liability company	Agriculture and sales of Chinese herbs
Daqing Baiyunshan Hutchison Whampoa Banlangen Technology Company Limited	PRC	1,020	1,020	51 %	51 %	Limited liability company	Agriculture and sales of Chinese herbs
Shen Nong Garden Traditional Chinese Medicine Museum	PRC	1,000	1,000	100 %	100 %	Non-profit making organization	Promote awareness of Chinese herbs
Guangzhou Hulu Cultural Communications Company Limited	PRC	1,000	—	100 %	— %	Limited liability company	Promote awareness of Chinese herbs
Bozhou Baiyunshan Pharmaceuticals Co Ltd	PRC	500	500	100 %	100 %	Limited liability company	Manufacture, sales and distribution of drug products
Shen Nong Garden Pharmacy Company Limited	PRC	200	200	100 %	100 %	Limited liability company	Retail of drug products, health foods and souvenirs
Nanyang Baiyunshan Hutchison Whampoa Danshen R&D Limited ("NYBH") (note (b))	PRC	—	1,000	— %	51 %	Limited liability company	Agriculture and sales of Chinese herbs
Joint Venture							
Qing Yuan Hutchison Whampoa Baiyunshan Chinese Medicine Company Limited	PRC	1,000	1,000	50 %	50 %	Limited liability company	Agriculture and sales of Chinese herbs
Associated companies							
Linyi Shenghe Jiuzhou Pharmaceuticals Company Limited	PRC	3,000	3,000	30 %	30 %	Limited liability company	Agriculture and sales of Chinese herbs
Tibet Linzhi Guangzhou Pharmaceutical Development Co. Ltd.	PRC	2,000	2,000	20 %	20 %	Limited liability company	Trading of Chinese herbs

Notes:

(a) Acquisition of additional interest in a subsidiary

Laida was a 70% owned subsidiary of the Group. During the year ended December 31, 2020, the Group acquired an additional 30% interest in Laida for consideration of RMB13.5 million (approximately US$1.9 million) and after the acquisition, it became a wholly-owned subsidiary of the Group.

(b) Divestment of a subsidiary to non-controlling interest

In November 2020, the Company completed the divestment of its 51% majority interest in NYBH for consideration of RMB1. Based on the net liabilities associated with NYBH attributable to the Company of US$72,000, the Company recorded a gain of US$37,000 upon the divestment.

26. Subsequent Events

The Group evaluated subsequent events through March 4, 2021, which is the date when the consolidated financial statements were issued.

NUTRITION SCIENCE PARTNERS LIMITED

Report of Independent Auditors

To the Board of Directors and Shareholders of Nutrition Science Partners Limited

We have audited the accompanying consolidated financial statements of Nutrition Science Partners Limited and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as of December 9, 2019, and the related consolidated income statements, consolidated statements of comprehensive income/(loss), of changes in equity and of cash flows for the period ended December 9, 2019 and of the year in the period ended December 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nutrition Science Partners Limited and its subsidiary as of December 9, 2019, and the results of their operations and their cash flows for the period ended December 9, 2019 and of the year in the period ended December 31, 2018, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PricewaterhouseCoopers
Hong Kong
March 3, 2020

Nutrition Science Partners Limited
Consolidated Income Statements
(in US$'000)

	Note	Period Ended December 9, 2019	Year Ended December 31, 2018
Service fees charged by a related party	5	—	(6,973)
Other research and development costs		(19)	(1,361)
Impairment provision	6	—	(30,000)
Administrative expenses		(32)	(52)
Interest income		250	188
Profit/(loss) before taxation		**199**	**(38,198)**
Taxation charge	7	—	—
Profit/(loss) for the period/year		**199**	**(38,198)**

The accompanying notes are an integral part of these consolidated financial statements.

Nutrition Science Partners Limited
Consolidated Statements of Comprehensive Income/(Loss)
(in US$'000)

	Period Ended December 9, 2019	Year Ended December 31, 2018
Profit/(loss) for the period/year	**199**	**(38,198)**
Total comprehensive income/(loss) for the period/year	**199**	**(38,198)**

The accompanying notes are an integral part of these consolidated financial statements.

Nutrition Science Partners Limited
Consolidated Statement of Financial Position
(in US$'000)

	Note	December 9, 2019
Assets		
Current assets		
Cash and cash equivalents	8	16,769
Other receivables		25
Total assets		**16,794**
Liabilities and shareholders' equity		
Current liabilities		
Other payables and accruals		362
Amounts due to related parties	9	30
Total liabilities		**392**
Shareholders' equity		
Share capital	10	114,000
Accumulated losses		(97,598)
Total shareholders' equity		**16,402**
Total liabilities and shareholders' equity		**16,794**

The accompanying notes are an integral part of these consolidated financial statements.

Nutrition Science Partners Limited
Consolidated Statements of Changes in Equity
(in US$'000)

	Share capital	Accumulated losses	Total equity
As at January 1, 2018	**98,000**	**(59,599)**	**38,401**
Issuance of share capital	16,000	–	16,000
Total comprehensive loss	–	(38,198)	(38,198)
As at December 31, 2018	**114,000**	**(97,797)**	**16,203**
Total comprehensive income	–	199	199
As at December 9, 2019	**114,000**	**(97,598)**	**16,402**

The accompanying notes are an integral part of these consolidated financial statements.

Nutrition Science Partners Limited
Consolidated Statements of Cash Flows
(in US$'000)

	Note	Period Ended December 9, 2019	Year Ended December 31, 2018
Operating activities			
Profit/(loss) for the period/year		199	(38,198)
Impairment provision	6	—	30,000
Changes in working capital:			
Other receivables		(25)	—
Other payables and accruals		(682)	755
Amounts due to related parties		(43)	(877)
Net cash used in operating activities		(551)	(8,320)
Financing activities			
Proceeds from issuance of share capital	10	—	16,000
Net cash generated from financing activities		—	16,000
Net (decrease)/increase in cash and cash equivalents		(551)	7,680
Cash and cash equivalents			
Cash and cash equivalents at beginning of period/year		17,320	9,640
Cash and cash equivalents at end of period/year		16,769	17,320

The accompanying notes are an integral part of these consolidated financial statements.

Nutrition Science Partners Limited

Notes to the Consolidated Financial Statements

1. General Information

Nutrition Science Partners Limited (the "Company") and its subsidiary (together, the "Group") are principally engaged in the research and development of pharmaceutical products. The Company was incorporated in Hong Kong on May 28, 2012 as a limited liability company. The registered office of the Company is located at 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

On November 27, 2012, Hutchison MediPharma (Hong Kong) Limited ("HMPHK"), a subsidiary of Hutchison China MediTech Limited ("Chi-Med", which together with its subsidiaries, hereinafter collectively referred to as the "Chi-Med Group") and Nestlé Health Science S.A. ("NHS"), a subsidiary of Nestlé S.A. ("Nestlé"), entered into a joint venture agreement ("JV Agreement"). Pursuant to the JV Agreement, Nestlé agreed to contribute cash of US$30 million and the Chi-Med Group agreed to contribute assets and business processes including (i) the global development and commercial rights of a novel, oral therapy drug candidate for Inflammatory Bowel Disease and (ii) the exclusive rights to its extensive botanical library and well-established botanical research and development platform in the field of gastrointestinal disease into the Company. The Company was jointly owned by HMPHK and NHS with 50% equity interest each. On December 9, 2019, HMPHK acquired NHS' 50% shareholding in the Company from NHS (the "Transaction") and terminated the JV Agreement. After the Transaction, the Company became a wholly owned subsidiary of HMPHK.

These consolidated financial statements are presented up to the period ended December 9, 2019 when the Company was a non-consolidated affiliate of Chi-Med for their inclusion in Chi-Med's annual report on Form 20-F for the fiscal year ended December 31, 2020. These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated and have been approved for issue by the Company's Board of Directors (the "Board") on March 4, 2021.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared under the historical cost convention.

During the period ended December 9, 2019, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the IASB that are relevant to the Group's operations and mandatory for the period beginning January 1, 2019. The adoption of these new and revised standards, amendments and interpretations did not have any material effects on the Group's results of operations or financial position.

(a) Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Subsidiary

The subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the consolidated financial statements, the subsidiary is accounted for as described in Note 2(a) above.

(c) Foreign Currency Translation

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiary as well as the presentation currency of the Group is US$.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

(d) Segment Reporting

The Group has one operating segment which conducts research and development activities. All segment assets are located in Hong Kong. The Board has been identified as the Group's chief operating decision-maker and reviews the consolidated results of the Group for the purposes of resource allocation and performance assessment. Therefore, no additional reportable segment and geographical information has been presented.

(e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. The Group has no intangible assets with indefinite lives.

(f) Research and Development Costs

All research costs are charged to the consolidated income statements as incurred.

Expenditures incurred on projects to develop new products are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure the expenditure reliably during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

(g) Cash and Cash Equivalents

In the consolidated statements of cash flows, cash and cash equivalents comprise cash at bank.

(h) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

(i) Income Tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Financial Risk Management

(i) Financial Risk Factors

The Group's activities expose it to a variety of financial risks, including credit risk and liquidity risk. The Group does not use any derivative financial instruments for speculative purposes.

(a) Credit Risk

The carrying amounts of cash and cash equivalents included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk of the counterparty in relation to its financial asset. The Group's bank balance is maintained with a creditworthy bank with no recent history of default.

(b) Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through balances with related parties and shareholders.

As at December 9, 2019, the Group's current financial liabilities were all contractually due for settlement within twelve months and the Group expects to meet all liquidity requirements.

(ii) Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to these objectives, policies or processes for managing capital during the period ended December 9, 2019 and the year ended December 31, 2018.

(iii) Fair Value Estimation

The fair values of the financial asset and liabilities of the Group approximate their carrying amounts largely due to the short term maturities of these instruments.

4. Critical Accounting Estimates and Judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the consolidated financial statements. The preparation of the consolidated financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the consolidated financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the consolidated financial statements.

(i) Impairment of intangible asset

The Group tests annually whether an intangible asset not ready for use has incurred any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(e). The recoverable amount of an asset or a cash-generating unit is determined based on the higher of the asset's or the cash-generating unit's fair value less costs to sell and value-in-use. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value, and the growth rate assumptions in the cash flow projections which have been prepared on the basis of management's assumptions and estimates. The fair value less costs to sell for an asset not traded in an active market is determined using valuation techniques (level 3 in the fair value hierarchy).

During the year ended December 31, 2018, the Group recorded a full impairment provision of the intangible asset. Refer to Note 6.

5. Significant Related Party Transactions

(i) The Group has the following significant transactions during the period/year with related parties which were carried out in the normal course of business at terms equivalent to those that prevail in arm's length transactions and agreed by the relevant parties:

	Period Ended December 9, 2019	Year Ended December 31, 2018
	(in US$'000)	
Service fees charged by a subsidiary of Chi-Med	—	6,973

On March 25, 2013, Hutchison MediPharma Limited ("HMP"), a subsidiary of Chi-Med, and NHS entered into a research and development collaboration agreement as contemplated by the JV Agreement for the exclusive rights to conduct research to evaluate and develop products from HMP's extensive botanical library and well established botanical research and development platform in the field of gastrointestinal disease.

On November 19, 2018, the Board decided to put on hold the Company's research activities pending a strategic review. Refer to Note 6. On December 9, 2019, the collaboration agreement was terminated along with the JV Agreement.

(ii) Other transaction with related party:

On March 25, 2013, the Company and Nestec Ltd., an affiliate of NHS, entered into an option agreement for the exclusive option to obtain exclusive royalty-bearing licenses to commercialize certain products in certain territories. The exercise price of the option is either fixed or subject to negotiation upon the receipt of the exercise notice, depending on the territories.

The option was never exercised and on December 9, 2019, the option agreement was terminated along with the JV Agreement.

(iii) Compensation of key management personnel of the Group:

No compensation was paid by the Group to the key management personnel of the Group in respect of their services rendered to the Group during the period ended December 9, 2019 and the year ended December 31, 2018.

6. Impairment Provision

On November 19, 2018, the Board reviewed the progress of its drug candidates. After due consideration of the timeline and further investments required to complete the clinical trials and reach the commercialization stage, it decided to explore alternative strategic options to maximize the economic returns from the drug candidates. The Group has performed an annual impairment assessment of the recoverability of the US$30 million intangible asset by comparing its carrying amount to the higher of the asset's value-in-use or its fair value less costs to sell. In preparing its assessment, although the Group was in the process of identifying potential buyers or collaboration partners to maximize its economics returns from the drug candidates, there was no certainty of an available market or that a suitable buyer or partner can be readily identified. Accordingly, the Group recorded a full impairment provision during the year ended December 31, 2018. During the period ended December 9, 2019, there were no further developments on the drug candidates that would indicate a reversal of impairment was appropriate.

7. Taxation Charge

No Hong Kong profits tax has been provided as the Group had no assessable profit for the period ended December 9, 2019 and the year ended December 31, 2018.

The taxation on the Group's profit/(loss) before taxation differs from the theoretical account that would arise using the applicable tax rate as follows:

	Period Ended December 9, 2019	Year Ended December 31, 2018
	(in US$'000)	
Profit/(loss) before taxation	199	(38,198)
Calculated at a taxation rate of 16.5%	33	(6,303)
Net effect of (income not taxable)/expenses not tax deductible	(33)	6,303
Taxation charge	—	—

8. Cash and Cash Equivalents

	December 9, 2019
	(in US$'000)
Cash at bank	16,769

The carrying amounts of the cash and cash equivalents are denominated in US$.

9. Amounts Due to Related Parties

	December 9, 2019
	(in US$'000)
Subsidiaries of Chi-Med	30

The amounts due to related parties are unsecured, interest free and repayable on demand.

10. Share Capital

	2019		2018	
	Number of shares	(in US$'000)	Number of shares	(in US$'000)
Issued and fully paid:				
Ordinary shares				
At January 1	57,000	114,000	49,000	98,000
Issuance of shares (note)	—	—	8,000	16,000
At December 9/December 31	57,000	114,000	57,000	114,000

Note: On April 24, 2018, 8,000 additional ordinary shares of US$2,000 each were issued. They were issued equally to the two existing shareholders at the time.

11. Directors' Emoluments

None of the directors received any fees or emoluments from the Group in respect of their services rendered to the Group during the period ended December 9, 2019 and the year ended December 31, 2018.

12. Subsidiary

Name	Place of establishment and operation	Nominal value of issued ordinary share capital in GBP As at December 9, 2019	Equity interest attributable to the Group As at December 9, 2019	Type of legal entity	Principal activity
Nutrition Science Partners (UK) Limited	United Kingdom	1	100 %	Limited liability company	Inactive

13. Subsequent Events

The Group evaluated subsequent events through March 4, 2021, which is the date when the consolidated financial statements were issued.

A. REGULATORY OVERVIEW

The following is a brief summary of the laws and regulations in the PRC and the United States that currently may materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on the laws and regulations in force as at the date of this prospectus, which may be subject to change.

1. GOVERNMENT REGULATION OF PHARMACEUTICAL PRODUCT DEVELOPMENT AND APPROVAL

(a) PRC Regulation of Pharmaceutical Product Development and Approval

Since China's entry to the World Trade Organization in 2001, the PRC government has made significant efforts to standardize regulations, develop its pharmaceutical regulatory system and strengthen intellectual property protection.

Regulatory Authorities

In the PRC, the NMPA is the authority that monitors and supervises the administration of pharmaceutical products and medical appliances and equipment as well as cosmetics. The NMPA's predecessor, the State Drug Administration, or the SDA, was established on August 19, 1998 as an organization under the State Council to assume the responsibilities previously handled by the Ministry of Health of the PRC, or the MOH, the State Pharmaceutical Administration Bureau of the PRC and the State Administration of Traditional Chinese Medicine of the PRC. The SDA was replaced by the State Food and Drug Administration, or the SFDA, in March 2003 and was later reorganized into the China Food and Drug Administration, or the CFDA, in March 2013. On March 17, 2018, the First Session of the Thirteenth National People's Congress approved the State Council Institutional Reform Proposal, according to which the duties of the CFDA were consolidated into the State Administration for Market Regulation, or the SAMR, and the NMPA was established under the management and supervision of the SAMR.

The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as cosmetics in the PRC;

- formulating administrative rules and policies concerning the supervision and administration of cosmetics and the pharmaceutical industry; evaluating, registering and approving of new drugs, generic drugs, imported drugs and traditional Chinese medicine;

- undertaking the standard, registration, quality and post marketing risk management of pharmaceutical products, medical appliances and equipment as well as cosmetics; and

- examining, evaluating and supervising the safety of pharmaceutical products, medical appliances and equipment as well as that of cosmetics.

The MOH is an authority at the ministerial level under the State Council and is primarily responsible for national public health. Following the establishment of the SFDA in 2003, the MOH was put in charge of the overall administration of national health in the PRC excluding the pharmaceutical industry. In March 2008, the State Council placed the SFDA under the management and supervision of the MOH. The MOH performs a variety of tasks in relation to the health industry such as establishing social medical institutes and producing professional codes of ethics for public medical personnel. The MOH is also responsible for overseas affairs, such as dealings with overseas companies and governments. In 2013, the MOH and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC, or the NHFPC. On March 17, 2018, the First Session of the Thirteenth National People's Congress approved the State Council Institutional Reform Proposal, according to which the responsibilities of NHFPC and certain other governmental authorities are consolidated into the National Health Commission, or the NHC, and the NHFPC shall no longer be maintained. The responsibilities of the NHC include organizing the formulation of national drug policies, the national essential medicine system and the National Essential Medicines List and drafting the administrative rules for the procurement, distribution and use of national essential medicines.

Healthcare System Reform

The PRC government has promulgated several healthcare reform policies and regulations to reform the healthcare system. On March 17, 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System. On March 18, 2009, the State Council issued the Implementation Plan for the Recent Priorities of the Healthcare System Reform (2009-2011). On July 22, 2009, the General Office of the State Council issued the Five Main Tasks of Healthcare System Reform in 2009.

Highlights of these healthcare reform policies and regulations include the following:

- The overall objective of the reform is to establish a basic healthcare system to cover both urban and rural residents and provide the Chinese people with safe, effective, convenient and affordable healthcare services. The PRC government aims to extend basic medical insurance coverage to at least 90% of the country's population by 2011 and increase the amount of subsidies on basic medical insurance for urban residents and rural cooperative medical insurance to RMB120 (US$18.32) per person per year by 2010. By 2020, a basic healthcare system covering both urban and rural residents should be established.

- The reforms aim to promote orderly market competition and improve the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population. From 2009, basic public healthcare services such as preventive healthcare, maternal and child healthcare and health education will be provided to urban and rural residents. In the meantime, the reforms also encourage innovations by pharmaceutical companies to eliminate low-quality and duplicative products.

- The five key tasks of the reform from 2009 to 2011 are as follows: (1) to accelerate the formation of a basic medical insurance system; (2) to establish a national essential drug system; (3) to establish a basic healthcare service system; (4) to promote equal access to basic public healthcare services; and (5) to promote the reform of public hospitals.

Drug Administration Laws and Regulations

The PRC Drug Administration Law as promulgated by the Standing Committee of the National People's Congress in 1984 and the Implementing Measures of the PRC Drug Administration Law as promulgated by the MOH in 1989 have laid down the legal framework for the establishment of pharmaceutical manufacturing enterprises, pharmaceutical trading enterprises and for the administration of pharmaceutical products including the development and manufacturing of new drugs and medicinal preparations by medical institutions. The PRC Drug Administration Law also regulates the packaging, trademarks and the advertisements of pharmaceutical products in the PRC.

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

The PRC Drug Administration Law was later amended on December 28, 2013 and April 24, 2015 by the Standing Committee of the National People's Congress. It provides the basic legal framework for the administration of the production and sale of pharmaceutical products in China and covers the manufacturing, distributing, packaging, pricing and advertising of pharmaceutical products.

On August 26, 2019, the Standing Committee of the National People's Congress promulgated the amended PRC Drug Administration Law, which took effect on December 1, 2019. The amendment brought a series of changes to the drug supervision and administration system, including but not limited to the clarification of the marketing authorization holder system, pursuant to which the marketing authorization holder shall assume responsibilities for non-clinical studies, clinical trials, manufacturing and marketing, post-marketing studies, monitoring, reporting and handling of adverse reactions of the drug. The amendment also stipulated that the PRC supports the innovation of drugs with clinical value and specific or special effects on human diseases, encourages the development of drugs with new therapeutic mechanisms and promotes the technological advancement of such drugs.

According to the PRC Drug Administration Law, no pharmaceutical products may be produced without a pharmaceutical production license. A manufacturer of pharmaceutical products must obtain a pharmaceutical production license from one of NMPA's provincial level branches in order to commence production of pharmaceuticals. Prior to granting such license, the relevant government authority will inspect the manufacturer's production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and equipment within the facilities have met the required standards.

The PRC Drug Administration Implementation Regulations promulgated by the State Council took effect on September 15, 2002 and were later amended on February 6, 2016 and March 2, 2019 to provide detailed implementation regulations for the revised PRC Drug Administration Law. With respect to the latest revision of the PRC Drug Administration Law, promulgated on August 26, 2019 and effective on December 1, 2019, as of the Latest Practicable Date, there are no corresponding revised PRC Drug Administration Implementation Regulations.

Examination and Approval of New Medicines

On January 22, 2020, the NMPA promulgated the Administrative Measures on the Registration of Pharmaceutical Products, or the Registration Measures, which became effective on July 1, 2020. According to the Registration Measures, an applicant who has obtained a drug registration certificate shall be a drug marketing authorisation holder. The approval process for medicines seeking marketing authorization mainly consists of the following steps:

- upon the completion of pharmaceutical, pharmacological and toxicological research and related activities, an application for clinical trial will be submitted to the Center for Drug Evaluation of the NMPA, or the Center for Drug Evaluation, for review. The Center for Drug Evaluation will organize pharmacists, medical personnel and

other professionals to review the application for clinical trial. A decision on approval or non-approval of the application for clinical trial of drugs will be made within 60 working days from acceptance of the application, and the applicant shall be notified of the examination and approval result through the website of the Center for Drug Evaluation. If the applicant is not notified within the stipulated period, the application shall be deemed approved. The applicant who is approved to conduct clinical trial shall act as the sponsor for the clinical trial;

- if the application for clinical trial is approved, the sponsor shall, prior to conducting subsequent phases of the clinical trial, formulate a corresponding program for the clinical trial, carry out the clinical trial after the review and approval by the Ethics Committee, and submit the corresponding program for clinical trial and supporting materials on the website of the Center for Drug Evaluation. The applicant may proceed with the relevant clinical research (which is generally conducted in three phases for a new medicine under the Registration Measures) at institutions with appropriate qualification:

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

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

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

  - Phase IV refers to the stage of surveillance and research after the new medicines is launched. The purpose is to observe the clinical effectiveness and adverse effects of the medicine over a much larger patient population and longer time period than in Phase I to III clinical trials, and evaluate the benefits and risks when it is administered to general or special patient population in larger prescription volume;

- the sponsor shall submit a safety update report during the research and development period on the website of the NMPA on a regular basis. The safety update report during the research and development period shall be submitted once a year, and within two months of every full year after the clinical drug trial is approved. The NMPA may require the sponsor to adjust the reporting period if deemed necessary;

- after (i) completing relevant pharmaceutical, pharmacological and toxicological research, clinical drug trials, and other research supporting the marketing registration of a medicine, (ii) determining medicine quality standards, (iii) completing the verification of commercial scale manufacturing process, and (iv) making preparations for drug registration inspections, the applicant shall file the application for drug marketing authorization with the Center for Drug Evaluation;

- the Center for Drug Evaluation will organize pharmaceutical, medical and other professionals to review accepted drug marketing authorisation applications in accordance with relevant requirements;

- upon acceptance of an application for drug registration, the Center for Drug Evaluation will conduct a preliminary examination within 40 working days from acceptance of the application; if there is a need to conduct an examination of manufacturing premises for drug registration, the Center for Drug Evaluation will notify the Centre for Food and Drug Inspection of the NMPA to organize an examination, provide the relevant materials required, and simultaneously notify the applicant as well as the provincial drug administrative authorities where the applicant or the manufacturing enterprise is located. The Centre for Food and Drug Inspection of the NMPA shall in principle complete the examination 40 working days before expiry of the review period, and give feedback to the Center for Drug Evaluation on the status and findings etc. of the examinations; and

- if the application is approved through the comprehensive review process, the drug shall be approved for marketing and a drug registration certificate shall be issued. The drug registration certificate will state the approval number for the drug, the holder of the certificate, and information of the manufacturing enterprise. A drug registration certificate for non-prescription drugs will also state the non-prescription drug category.

Any applicant who is not satisfied with the Center for Drug Evaluation's decision to deny an application during the application of the drug registration period can appeal within 15 working days after it is notified by the Center for Drug Evaluation of such decision. Upon termination for examination and approval of the application for drug registration, if the applicant is dissatisfied with the administrative licensing decision, the applicant may apply for administrative review or file an administrative lawsuit.

In accordance with the Provisions on the Administration of Special Examination and Approval of Registration of New Drugs promulgated by the NMPA, issued and effective on January 7, 2009, an NDA that meets certain requirements as specified below will be handled with priority in the review and approval process, so-called "green-channel" approval. In addition, the applicant is entitled to provide additional materials during the review period besides those requested by the NMPA, and will have access to enhanced communication channels with the NMPA.

Applicants for the registration of the following new drugs are entitled to request priority treatment in review and approval: (i) active ingredients and their preparations extracted from plants, animals and minerals, and newly discovered medical materials and their preparations that have not been sold in the China market; (ii) chemical drugs and their preparations and biological products that have not been approved for sale at its origin country or abroad; (iii) new drugs with obvious clinical treatment advantages for such diseases as AIDS, therioma, and rare diseases; and (iv) new drugs for diseases that have not been treated effectively. Under category (i) or (ii) above, the applicant for drug registration may apply for special examination and approval when applying for the clinical trial of new drugs; under category (iii) or (iv) above, the applicant may only apply for special examination and approval when applying for manufacturing.

- In addition, on July 7, 2020, the NMPA released the Priority Review and Approval Procedures for Drug Marketing Authorizations (for Trial Implementation), which further clarified that a fast track process for drug registration will be available to the following drugs with distinctive clinical value: (i) (a) drugs in urgent clinical demand and in shortage and (b) innovative drugs and modified new drugs for prevention and treatment of serious infectious diseases, rare diseases and other diseases; (ii) new varieties, dosage forms and specifications of children's drugs that conform to children's physiological characteristics; (iii) (a) vaccines that are in urgent need for disease prevention and control and (b) innovative vaccines; (iv) drugs that have been included in the procedures for breakthrough therapy designation; (v) drugs that are subject to conditional approval; and (vi) other drugs which the NMPA deems applicable.

It also specified that fast track status would be given to clinical trial applications for drugs with patent expiry within three years and manufacturing authorization applications for drugs with patent expiry within one year. Concurrent applications for new drug clinical trials which are already approved in the United States or European Union are also eligible for fast track NMPA approval.

Drug Technology Transfer Regulations

On August 19, 2009, the NMPA promulgated the Administrative Regulations for Technology Transfer Registration of Drugs to standardize the registration process of drug technology transfer, which includes application for, and evaluation, examination, approval and monitoring of, drug technology transfer. Drug technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer and the application for drug registration by the transferee according to the provisions in the new regulations. Drug technology transfer includes new drug technology transfer and drug production technology transfer.

Conditions for the application for new drug technology transfer

Applications for new drug technology transfer may be submitted prior to the expiration date of the monitoring period of the new drugs with respect to:

- drugs with new drug certificates only; or
- drugs with new drug certificates and drug approval numbers.

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

Conditions for the application of drug production technology transfer

Applications for drug production technology transfer may be submitted if:

- the transferor holds new drug certificates or both new drug certificates and drug approval numbers, and the monitoring period has expired or there is no monitoring period;
- with respect to drugs without new drug certificates, both the transferor and the transferee are legally qualified drug manufacturing enterprises, one of which holds over 50% of the equity interests in the other, or both of which are majority-owned subsidiaries of the same drug manufacturing enterprise;
- with respect to imported drugs with imported drug licenses, the original applicants for the imported drug registration may transfer these drugs to local drug manufacturing enterprises.

Application for, and examination and approval of, drug technology transfer

Applications for drug technology transfer should be submitted to the provincial drug administration. If the transferor and the transferee are located in different provinces, the provincial drug administration where the transferor is located should provide examination opinions. The provincial drug administration where the transferee is located is responsible for examining application materials for technology transfer and organizing inspections on the production facilities of the transferee. Medical examination institutes are responsible for testing three batches of drug samples.

The Center for Drug Evaluation should further review the application materials, provide technical evaluation opinions and form a comprehensive evaluation opinion based on the site inspection reports and the testing results of the samples. The NMPA should determine whether to approve the application according to the comprehensive evaluation opinion of the Center for Drug Evaluation. An approval letter of supplementary application and a drug approval number will be issued to qualified applications. An approval letter of clinical trials will be issued when necessary. For rejected applications, a notification letter of the examination opinions will be issued with the reasons for rejection.

Permits and Licenses for Manufacturing and Registration of Drugs

Production Licenses

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

Each Pharmaceutical Manufacturing Permit issued to a pharmaceutical manufacturing enterprise is effective for a period of five years. The enterprise is required to apply for renewal of such permit within six months prior to its expiry and will be subject to reassessment by the issuing authorities in accordance with then prevailing legal and regulatory requirements for the purposes of such renewal.

Business Licenses

In addition to a Pharmaceutical Manufacturing permit, the manufacturing enterprise must also obtain a business license from the administrative bureau of industry and commerce at the local level. The name, legal representative and registered address of the enterprise specified in the business license must be identical to that set forth in the Pharmaceutical Manufacturing Permit.

Registration of Pharmaceutical Products

All pharmaceutical products that are produced in the PRC must bear a registration number issued by the NMPA, with the exception of Chinese herbs and Chinese herbal medicines in soluble form. The medicine manufacturing enterprises must obtain the medicine registration number before manufacturing any medicine.

GMP Certificates

The Guidelines on Good Manufacturing Practices, as amended in 1998 and 2010, or the Guidelines, took effect on August 1, 1999 and set the basic standards for the manufacture of pharmaceuticals. These Guidelines cover issues such as the production facilities, the qualification of the personnel at the management level, production plant and facilities, documentation, material packaging and labeling, inspection, production management, sales and return of products and customers' complaints. On October 23, 2003, the NMPA issued the Notice on the Overall Implementation and Supervision of Accreditation of Good Manufacturing Practice Certificates for Pharmaceuticals, which required all pharmaceutical manufacturers to apply for the GMP certificates by June 30, 2004. Those enterprises that failed to obtain the GMP certificates by December 31, 2004 would have their Pharmaceutical Manufacturing Permit revoked by the drug administrative authorities at the provincial level. On October 24, 2007, the NMPA issued Evaluation Standard on Good Manufacturing Practices which became effective on January 1, 2008. On December 1, 2019, the latest amendment of Drug Administration Law abolished GMP certificates.

Marketing Authorization Holder System

In May 2016, the State Council announced the piloting of the "marketing authorization holder", or MAH, system in ten provinces in China, where the market authorization/drug license holders are no longer required to be the actual manufacturers. The MAH system will allow for more flexibilities in contract manufacturing arrangements.

Under the authorization of the Standing Committee of the National People's Congress, the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder Mechanism on May 26, 2016, providing a detailed pilot plan for the MAH system in ten provinces in China. Under the MAH system, domestic drug research and development institutions and individuals in the pilot regions are eligible to be holders of drug registrations without having to become drug manufacturers. The MAHs may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and are also located within the pilot regions. Drugs that qualify for the MAH system include: (1) new drugs (including biological products for curative uses of Class I, Class VII and biosimilars under the Administration of Drug Registration) approved after the implementation of the MAH system; (2) generic drugs approved as Category 3 or 4 drugs under the Reform Plan for Registration Category of Chemical Medicine issued by the NMPA on March 4, 2016; (3) previously approved generics

that have passed equivalence assessments against their original drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the pilot regions but have moved out of the pilot regions due to corporate mergers or other reasons.

On August 15, 2017, the NMPA issued the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorization Holder System, clarifying that the MAH shall be responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and shall assume full legal liabilities for the non-clinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring. The MAH is permitted to entrust several drug manufacturers under the drug quality management system established by the MAH. The MAH shall submit a report of drug manufacturing, marketing, prescription, techniques, pharmacovigilance, quality control measures and certain other matters to the NMPA within 20 working days after the end of each year.

On December 1, 2019, the latest amendment of Drug Administration Law came into effect, marking the success of the pilot work, and the MAH system has become a national system. Pursuant to the latest amendment, the legal representative and the key person-in-charge of a drug MAH shall be fully responsible for the quality of drugs.

Administrative Protection for New Drugs

The Administrative Measures Governing the Production Quality of Pharmaceutical Products, or the Administrative Measures for Production, provides detailed guidelines on practices governing the production of pharmaceutical products. A manufacturer's factory must meet certain criteria in the Administrative Measures for Production, which include: institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, maintenance of sales records and manner of handling customer complaints and adverse reaction reports.

Distribution of Pharmaceutical Products

According to the PRC Drug Administration Law and its implementing regulations and the Measures for the Supervision and Administration of Circulation of Pharmaceuticals, a manufacturer of pharmaceutical products in the PRC can only engage in the trading of the pharmaceutical products that the manufacturer has produced itself. In addition, such manufacturer can only sell its products to:

- wholesalers and distributors holding Pharmaceutical Distribution Permits;
- other holders of Pharmaceutical Manufacturing Permits; or
- medical practitioners holding Medical Practice Permits.

A pharmaceutical manufacturer in the PRC is prohibited from selling its products to end-users, or individuals or entities other than holders of Pharmaceutical Distribution Permits, the Pharmaceutical Manufacturing Permits or the Medical Practice Permits.

The granting of a Pharmaceutical Distribution Permit to wholesalers shall be subject to approval of the provincial level drug regulatory authorities, while the granting of a retailer permit shall be subject to the approval of the drug regulatory authorities above the county level. Unless otherwise expressly approved, no pharmaceutical wholesaler may engage in the retail of pharmaceutical products, nor may pharmaceutical retailers engage in wholesaling.

A pharmaceutical distributor shall satisfy the following requirements:

- personnel with pharmaceutical expertise as qualified according to law;
- business site, facilities, warehousing and sanitary environment compatible to the pharmaceutical products being distributed;
- quality management system and personnel compatible to the pharmaceutical products being distributed; and
- rules and regulations to ensure the quality of the pharmaceutical products being distributed.

Operations of pharmaceutical distributors shall be conducted in accordance with the Pharmaceutical Operation Quality Management Rules.

Pharmaceutical distributors must keep true and complete records of any pharmaceutical products purchased, distributed or sold with the generic name of such products, specification, approval code, term, manufacturer, purchasing or selling party, price and date of purchase or sale. A pharmaceutical distributor must keep such record at least until one year after the expiry date of such products and in any case, such record must be kept for no less than three years. Penalties may be imposed for any violation of record-keeping.

Pharmaceutical distributors can only distribute pharmaceutical products obtained from those with a Pharmaceutical Manufacturing Permit and a Pharmaceutical Distribution Permit.

On December 26, 2016, the Medical Reform Office of the State Council, the National Health and Family Planning Commission, the NMPA and other five government authorities promulgated the "Two-Invoice System" Opinions, which became effective on the same date. On April 25, 2017, the General Office of the State Council further promulgated the Notice on Issuing the Key Working Tasks for Deepening the Reform of Medicine and Health System in 2017. According to these rules, a two-invoice system is encouraged to be gradually adopted for drug procurement. The two-invoice system generally requires a drug manufacturer to issue only one invoice to its distributor followed by the distributor issuing a second invoice directly to the end customer hospital. Only one distributor is permitted to distribute drug products

between the manufacturer and the hospital. The system also encourages manufacturers to sell drug products directly to hospitals. Public medical institutions are required to adopt the two-invoice system, and its full implementation nationwide is targeted for 2018. Private medical institutions are encouraged but not yet required to adopt the two-invoice system. Pharmaceutical manufacturers and distributors who fail to implement the two-invoice system may be disqualified from attending future bidding events or providing distribution for hospitals and blacklisted for drug procurement practices. These rules aim to consolidate drug distribution and reduce drug prices. The impact on our Company is that Shanghai Hutchison Pharmaceuticals was required to restructure its distribution and logistics network and Hutchison Sinopharm began to shift its prior Seroquel distribution model to a fee-for-service model. For more details, please refer to "*Business Overview – Other Ventures*."

Foreign Investment and "State Secret" Technology

The interpretation of certain PRC laws and regulations governing foreign investment and "state secret" technology is uncertain. Depending on the industry sectors, foreign investments are classified as "encouraged", "restricted" or "prohibited" under the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, published by the MOFCOM and the NDRC. Under the Catalogue, "manufacturing of modern Chinese medicines with confidential proprietary formula" has been deemed prohibited for any foreign investment. The technology and know-how of the She Xiang Bao Xin pill is classified as "state secret" technology by China's Ministry of Science and Technology, or the MOST, and the National Administration for the Protection of State Secrets, or NAPSS.

There are currently no PRC laws or regulations or official interpretations, and therefore there can be no assurance, as to whether the use of "state secret" technology constitutes the "manufacturing of Chinese medicines with confidential proprietary formula" under the Catalogue. However, under the Rules on Confidentiality of Science and Technology promulgated by the State Science and Technology Commission (the predecessor of the MOST and the NAPSS) on January 6, 1995, cooperation with foreign parties or establishing joint ventures with foreign parties in respect of state secret technology is expressly allowed, provided that such cooperation has been duly approved by the relevant science and technology authorities. The establishment of Shanghai Hutchison Pharmaceuticals as a sino-foreign joint venture, including the re-registration of licenses for She Xiang Bao Xin pills in its name, was approved by the local counterpart of the MOFCOM and the Shanghai Drug Administration in 2001. Subsequently, the "Confidential State Secret Technology" status protection for She Xiang Bao Xin pills was also granted in 2005 to Shanghai Hutchison Pharmaceuticals as a sino-foreign joint venture by the MOST and NAPSS. Consequently, we believe Shanghai Hutchison Pharmaceuticals is in compliance with all applicable PRC laws and regulations governing foreign investment and "state secret" technology. Moreover, we believe that our other joint ventures and wholly-foreign owned enterprises in the PRC are also in compliance with all applicable PRC laws and regulations governing foreign investment.

(b) U.S. Regulation of Pharmaceutical Product Development and Approval

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

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

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

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

- IRB approval before each clinical trial may be initiated;

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

- preparation and submission to the FDA of an NDA;

- a determination by the FDA within 60 days of its receipt of an NDA whether the NDA is acceptable for filing; if the FDA determines that the NDA is not sufficiently complete to permit substantive review, it may request additional information and decline to accept the application for filing until the information is provided;

- in-depth review of the NDA by FDA, which may include review by a scientific advisory committee;

- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the active pharmaceutical ingredient and finished drug product are produced to assess compliance with the FDA's current good manufacturing practice requirements, or cGMP;

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

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

- compliance with any post-approval requirements, such as Risk Evaluation and Mitigation Strategy and post-approval studies required by FDA.

Pre-clinical Studies

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

Clinical Studies

The clinical stage of development involves the administration of the drug product to human subjects or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with GCPs, which include the requirement that, in general, all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under

written study protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety and assess efficacy. Each protocol, and any subsequent amendments to the protocol, must be submitted to the FDA as part of the IND. Further, each clinical trial must be reviewed and approved by each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also reviews and approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. For example, information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their ClinicalTrials.gov website.

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

- Phase I: In a standard Phase I clinical trial, the drug is initially introduced into a small number of subjects who are initially exposed to a range of doses of the drug candidate.

  The primary purpose of these clinical trials is to assess the metabolism, pharmacologic action, appropriate dosing, side effect tolerability and safety of the drug.

  - Phase Ib: Although Phase I clinical trials are not intended to treat disease or illness, a Phase Ib trial is conducted in patient populations who have been diagnosed with the disease for which the study drug is intended. The patient population typically demonstrates a biomarker, surrogate, or other clinical outcome that can be assessed to show "proof-of-concept." In a Phase Ib study, proof-of-concept typically confirms a hypothesis that the current prediction of a biomarker, surrogate or other outcome benefit is compatible with the mechanism of action of the study drug.

  - Phase I/II: A Phase I and Phase II trial for the same treatment is combined into a single study protocol. The drug is administered first to determine a maximum tolerable dose, and then additional patients are treated in the Phase II portion of the study to further assess safety and/or efficacy.

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

- Phase III: The drug is administered to an expanded number of patients, generally at multiple sites that are geographically dispersed, in well-controlled clinical trials to generate enough data to demonstrate the efficacy of the drug for its intended use, its safety profile, and to establish the overall benefit/risk profile of the drug and provide an adequate basis for drug approval and labeling of the drug product. Phase III clinical trials may include comparisons with placebo and/or other comparator treatments. The duration of treatment is often extended to mimic the actual use of a drug during marketing. Generally, two adequate and well-controlled Phase III clinical trials are required by the FDA for approval of an NDA. A pivotal study is a clinical study that adequately meets regulatory agency requirements for the evaluation of a drug candidate's efficacy and safety such that it can be used to justify the approval of the drug. Generally, pivotal studies are also Phase III studies but may be Phase II studies if the trial design provides a well-controlled and reliable assessment of clinical benefit, particularly in situations where there is an unmet medical need. Post-approval trials, sometimes referred to as Phase 4 clinical trials, are conducted after initial regulatory approval, and they are used to collect additional information from the treatment of patients in the intended therapeutic indication or to meet other regulatory requirements. In certain instances, FDA may mandate the performance of Phase IV clinical trials.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA, and more frequently if serious adverse events occur. Written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events or any finding from tests in laboratory animals that suggests a significant risk to human subjects. The FDA, the IRB, or the clinical trial sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. The FDA will typically inspect one or more clinical sites to assure compliance with GCPs and the integrity of the clinical data submitted. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether or not a trial may move forward at designated check points based on access to certain data from the trial. Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug as well as finalize a process for manufacturing the drug in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the drug candidate and, among other things, cGMPs impose extensive procedural, substantive and recordkeeping requirements to ensure and preserve the long-term stability and quality of the final drug product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

NDA Submission and FDA Review Process

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

In addition, under the Pediatric Research Equity Act of 2003, or PREA, an NDA or supplement to an NDA must contain data to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each NDA must be accompanied by an application user fee. The FDA adjusts the PDUFA user fees on an annual basis. According to the FDA's fee schedule, effective through September 30, 2021, the user fee for an application requiring clinical data, such as an NDA, is US$2,875,842. PDUFA also imposes a program fee for prescription human drugs US$336,432. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on NDAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The FDA reviews all NDAs submitted before it accepts them for filing and may request additional information rather than accepting an NDA for filing. The FDA conducts a preliminary review of an NDA within 60 days of receipt and informs the sponsor by the 74th day after FDA's receipt of the submission to determine whether the application is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the goals and policies agreed to by the FDA under PDUFA, the FDA has 10 months from the filing date in which to complete its initial review of a standard NDA and respond to the applicant, and six months from the filing date for a "priority review" NDA. The FDA does not always meet its PDUFA goal dates for standard and priority review NDAs, and the review process is often significantly extended by FDA requests for additional information or clarification.

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

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

If a drug receives regulatory approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited. Further, the FDA may require that certain contraindications, warnings or precautions be included in the drug labeling or may condition the approval of the NDA on other changes to the proposed labeling, development of adequate controls and specifications, or a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved drugs. For example, the FDA may require Phase 4 testing which involves clinical trials designed to further assess a drug's safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved drugs that have been commercialized. The FDA may also place other conditions on approvals including the requirement for a REMS to ensure that the benefits of a drug or biological product outweigh its risks. If the FDA concludes a REMS is needed, the

sponsor of the NDA must submit a proposed REMS. The FDA will not approve the NDA without an approved REMS, if required. A REMS could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of drugs. Drug approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following initial marketing.

Section 505(b)(2) NDAs

NDAs for most new drug products are based on two full clinical studies which must contain substantial evidence of the safety and efficacy of the proposed new product. These applications are submitted under Section 505(b)(1) of the FDCA. The FDA is, however, authorized to approve an alternative type of NDA under Section 505(b)(2) of the FDCA, which authorizes FDA to approve an NDA based on safety and effectiveness data that were not developed by the applicant. Section 505(b)(2) allows the applicant to rely, in part, on the FDA's previous findings of safety and efficacy for a similar product, or published literature. Specifically, Section 505(b)(2) applies to NDAs for a drug for which the investigations relied upon to show that the drug is safe and effective for the intended use "were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted."

Section 505(b)(2) authorizes NDAs filed under Section 505(b)(2) may provide an alternate and potentially more expeditious pathway to FDA approval for new or improved formulations or new uses of previously approved products. If the 505(b)(2) applicant can establish that reliance on the FDA's previous approval is scientifically appropriate, the applicant may eliminate the need to conduct certain pre-clinical or clinical studies of the new product. The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new drug candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

Abbreviated New Drug Applications for Generic Drugs

In 1984, with passage of the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Act, Congress authorized the FDA to approve generic drugs that are the same as drugs previously approved by the FDA under the NDA provisions of the statute. To obtain approval of a generic drug, an applicant must submit an abbreviated new drug application, or ANDA, to the agency. In support of such applications, a generic manufacturer may rely on the pre-clinical and clinical testing previously conducted for a drug product previously approved under an NDA, known as the reference listed drug, or RLD.

Specifically, in order for an ANDA to be approved, the FDA must find that the generic version is identical to the RLD with respect to the active ingredients, the route of administration, the dosage form, and the strength of the drug. At the same time, the FDA must also determine that the generic drug is "bioequivalent" to the innovator drug. Under the statute, a generic drug is bioequivalent to a RLD if "the rate and extent of absorption of the drug do not show a significant difference from the rate and extent of absorption of the listed drug." The Generic Drug User Fee Act (GDUFA), as reauthorized, sets forth performance goals for the FDA to review standard ANDA's within 10 months of their submission, and priority ANDA's within 8 months of their submission if they satisfy certain requirements.

Upon approval of an ANDA, the FDA indicates that the generic product is "therapeutically equivalent" to the RLD and it assigns a therapeutic equivalence rating to the approved generic drug in its publication "Approved Drug Products with Therapeutic Equivalence Evaluations," also referred to as the "Orange Book." Physicians and pharmacists consider an "AB" therapeutic equivalence rating to mean that a generic drug is fully substitutable for the RLD. In addition, by operation of certain state laws and numerous health insurance programs, FDA's designation of an "AB" rating often results in substitution of the generic drug without the knowledge or consent of either the prescribing physician or patient.

Special FDA Expedited Review and Approval Programs

The FDA has various programs, including Fast Track Designation, accelerated approval, priority review and Breakthrough Therapy Designation, that are intended to expedite or simplify the process for the development and FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard FDA review procedures. While these pathways can reduce the time it takes for the FDA to review an NDA, they do not guarantee that a product will receive FDA approval. In addition, the Right to Try Act of 2018 established a new regulatory pathway to increase access to unapproved, investigational treatments for patients diagnosed with life-threatening diseases or conditions who have exhausted approved treatment options and who are unable to participate in a clinical trial.

Fast Track Designation

To be eligible for a Fast Track Designation, the FDA must determine, based on the request of a sponsor, that a drug is intended to treat a serious or life threatening disease or condition for which there is no effective treatment and demonstrates the potential to address an unmet medical need for the disease or condition. Under the fast track program, the sponsor of a drug candidate may request the FDA to designate the product for a specific indication as a fast track product concurrent with or after the filing of the IND for the drug candidate. The FDA must make a Fast Track Designation determination within 60 days after receipt of the sponsor's request.

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

Priority Review

The FDA may give a priority review designation to drugs that offer major advances in treatment, or provide a treatment where no adequate therapy exists. A priority review means that the goal for the FDA to review an application is six months, rather than the standard review of 10 months under current PDUFA guidelines. These 6- and 10-month review periods are measured from the "filing" date rather than the receipt date for NDAs for new molecular entities, which typically adds approximately two months to the timeline for review and decision from the date of submission. Most products that are eligible for Fast Track Designation are also likely to be considered appropriate to receive a priority review.

Breakthrough Therapy Designation

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

Accelerated Approval

FDASIA also codified and expanded on FDA's accelerated approval regulations, under which FDA may approve a drug for a serious or life-threatening illness that provides meaningful therapeutic benefit over existing treatments based on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on an intermediate clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit. A surrogate endpoint is a marker that does not itself measure clinical benefit but is believed to predict clinical benefit. This determination takes into account the severity, rarity or prevalence of the disease or

condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require a sponsor of a drug receiving accelerated approval to perform Phase IV or post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug may be subject to accelerated withdrawal procedures. All promotional materials for drug candidates approved under accelerated regulations are subject to prior review by the FDA.

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

Pediatric Trials

Under PREA, an NDA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the drug product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. With the enactment of FDASIA, a sponsor who is planning to submit a marketing application for a drug that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration must also submit an initial Pediatric Study Plan, or PSP, within sixty days of an end-of-Phase II meeting or as may be agreed between the sponsor and the FDA. The initial PSP must include an outline of the pediatric study or studies that the sponsor plans to conduct, including study objectives and design, age groups, relevant endpoints and statistical approach, or a justification for not including such detailed information, and any request for a deferral of pediatric assessments or a full or partial waiver of the requirement to provide data from pediatric studies along with supporting information. The FDA and the sponsor must reach agreement on the PSP. A sponsor can submit amendments to an agreed-upon initial PSP at any time if changes to the pediatric plan need to be considered based on data collected from pre-clinical studies, early phase clinical trials, and/or other clinical development programs. The law requires the FDA to send a non-compliance letters to sponsors who do not submit their pediatric assessments as required.

Under the Best Pharmaceuticals for Children Act, or BPCA, certain therapeutic candidates may obtain an additional six months of exclusivity if the sponsor submits information requested by the FDA, relating to the use of the active moiety of the product candidate in children. Although the FDA may issue a written request for studies on either approved or unapproved indications, it may only do so where it determines that information relating to that use of a product candidate in a pediatric population, or part of the pediatric population, may produce health benefits in that population.

FDASIA permanently reauthorized PREA and BPCA, modifying some of the requirements under these laws, and established priority review vouchers for rare pediatric diseases. Pursuant to the Consolidated Appropriations Act of 2021, the FDA's authority to award rare pediatric disease vouchers has been extended until September 30, 2024, and until September 30, 2026 for products that receive Rare Pediatric Disease designation by September 30, 2024.

Orphan Drug Designation and Exclusivity

Under the Orphan Drug Act, the FDA may designate a drug product as an "orphan drug" if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug product available in the United States for treatment of the disease or condition will be recovered from sales of the product). A company must request orphan product designation before submitting an NDA. If the request is granted, the FDA will disclose the identity of the therapeutic agent and its potential use. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process, but the product will be entitled to orphan product exclusivity, meaning that the FDA may not approve any other applications for the same product for the same indication for seven years, except in certain limited circumstances. Competitors may receive approval of different products for the indication for which the orphan product has exclusivity and may obtain approval for the same product but for a different indication. If a drug or drug product designated as an orphan product ultimately receives regulatory approval for an indication broader than what was designated in its orphan product application, it may not be entitled to exclusivity. The 21st Century Cures Act, which became law in December 2016, expanded the types of studies that qualify for orphan drug grants. Orphan drug designation also may qualify an applicant for federal and possibly state tax credits relating to research and development costs.

Post-Marketing Requirements

Following approval of a new drug, a pharmaceutical company and the approved drug are subject to continuing regulation by the FDA, including, among other things, monitoring and recordkeeping activities, reporting to the applicable regulatory authorities of adverse experiences with the drug, providing the regulatory authorities with updated safety and efficacy information, drug sampling and distribution requirements, and complying with applicable promotion and advertising requirements.

Prescription drug advertising is subject to federal, state and foreign regulations. In the United States, the FDA regulates prescription drug promotion, including standards for direct-to-consumer advertising, restrictions on promoting drugs for uses or in patient populations that are not described in the drug's approved labeling (known as "off-label use"), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although physicians may legally prescribe drugs for off-label uses, manufacturers may not market or promote such off-label uses. Prescription

drug promotional materials must be submitted to the FDA in conjunction with their first use. Modifications or enhancements to the drug or its labeling or changes of the site of manufacture are often subject to the approval of the FDA and other regulators, which may or may not be received or may result in a lengthy review process. Any distribution of prescription drugs and pharmaceutical samples also must comply with the U.S. Prescription Drug Marketing Act, a part of the FDCA.

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

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

Other U.S. Regulatory Matters

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

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

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

Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example: (i) changes to our manufacturing arrangements; (ii) additions or modifications to product labeling; (iii) the recall or discontinuation of our products; or (iv) additional record-keeping requirements. If any such changes were to be imposed, they could adversely affect the operation of our business.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA approval of our drug candidates, some of our U.S. patents may be eligible for limited patent term extension under the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of an NDA plus the time between the submission date of an NDA and the approval of that application. Only one patent applicable to an approved drug is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The USPTO, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In 2018, the FDA advanced policies aimed at promoting drug competition and patient access to generic drugs, such as issuing guidance about making complex generic drugs and the circumstances in which approval of a generic product application may be delayed.

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

505(b)(2) applicant relies on prior FDA findings of safety and efficacy, the applicant is required to certify to the FDA concerning any patents listed for the previously approved product in the Orange Book to the same extent that an ANDA applicant would.

The FDCA also provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the pre-clinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness. Orphan drug exclusivity, as described above, may offer a seven-year period of marketing exclusivity, except in certain circumstances. Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

(c) Rest of the World Regulation of Pharmaceutical Product Development and Approval

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

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

2. COVERAGE AND REIMBURSEMENT

(a) PRC Coverage and Reimbursement

Historically, most of Chinese healthcare costs have been borne by patients out-of-pocket, which has limited the growth of more expensive pharmaceutical products. However, in recent years the number of people covered by government and private insurance has increased. According to the PRC National Bureau of Statistics, as of December 31, 2019, approximately 1.4 billion employees and residents in China were enrolled in the national medical insurance program, representing an increase of 9.8 million from December 31, 2018. The PRC government has announced a plan to give every person in China access to basic healthcare by year 2020.

Reimbursement under the National Medical Insurance Program

The National Medical Insurance Program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. The State Council expected the Pilot Urban Resident Basic Medical Insurance to cover the whole nation by 2010.

Participants of the National Medical Insurance Program and their employers, if any, are required to contribute to the payment of insurance premiums on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the NRDL. The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employees, jointly issued by several authorities including the Ministry of Labor and Social Security and the MOF, among others, on May 12, 1999, provides that a pharmaceutical product listed in the NRDL must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements:

- it is set forth in the Pharmacopoeia of the PRC;
- it meets the standards promulgated by the NMPA; and
- if imported, it is approved by the NMPA for import.

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

The PRC Ministry of Labor and Social Security, together with other government authorities, has the power to determine the medicines included in the NRDL, which is divided into two parts, Part A and Part B. Provincial governments are required to include all Part A medicines listed on the NRDL in their provincial National Reimbursement Drug List, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Part B medicines listed in the NRDL. As a result, the contents of Part B of the provincial NRDL may differ from region to region in the PRC.

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

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

National Essential Medicines List

On August 18, 2009, MOH and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Medicines List, which was later amended in 2015, and the Guidelines on the Implementation of the Establishment of the National Essential Medicines System, which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Medicines List, or NEML. MOH promulgated the NEML (Catalog for the Basic Healthcare Institutions) on August 18, 2009, and promulgated the revised NEML on March 13, 2013 and September 30, 2018. According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in the NEML. The drugs listed in NEML shall be purchased by centralized tender process and shall be subject to the price control by the NDRC. Remedial drugs in the NEML are all listed in the NRDL and the entire amount of the purchase price of such drugs is entitled to reimbursement.

Price Controls

According to the PRC Drug Administration Law and the Implementing Measures of the PRC Drug Administration Law, pharmaceutical products are subject to fixed or directive pricing system or to be adjusted by the market. Those pharmaceutical products included in the NRDL and the NEML and those drugs the production or trading of which are deemed to constitute monopolies, are subject to price controls by the PRC government in the form of fixed retail prices or maximum retail prices. Manufacturers and distributors cannot set the actual retail price for any given price controlled product above the maximum retail price or deviate from the fixed retail price set by the government. The retail prices of pharmaceutical products that are subject to price controls are administered by the NDRC and provincial and regional price control authorities. From time to time, the NDRC publishes and updates a list of pharmaceutical products that are subject to price controls. According to the Notice Regarding Measures on Government Pricing of Pharmaceutical Products issued by NDRC effective on December 25, 2000, maximum retail prices for pharmaceutical products shall be determined

based on a variety of factors, including production costs, the profit margins that the relevant government authorities deem reasonable, the product's type, and quality, as well as the prices of substitute pharmaceutical products.

Further, pursuant to the Notice Regarding Further Improvement of the Order of Market Price of Pharmaceutical Products and Medical Services jointly promulgated by the NDRC, the State Council Legislative Affairs Office and the State Council Office for Rectifying, the MOH, the NMPA, the MOFCOM, the MOF and Ministry of Labor and Social Security on May 19, 2006, the PRC government exercises price control over pharmaceutical products included in the NRDL and made an overall adjustment of their prices by reducing the retail price of certain overpriced pharmaceutical products and increasing the retail price of certain underpriced pharmaceutical products in demand for clinical use but that have not been produced in large quantities by manufacturers due to their low retail price level. In particular, the retail price charged by hospitals at the county level or above may not exceed 115% of the procurement cost of the relevant pharmaceutical products or 125% for Chinese herbal pieces.

On February 9, 2015, the General Office of the State Council issued the Guiding Opinion on Enhancing Consolidated Procurement of Pharmaceutical Products by Public Hospitals, or the Opinion. The Opinion encourages public hospitals to consolidate their demands and to play a more active role in the procurement of pharmaceutical products. Hospitals are encouraged to directly settle the prices of pharmaceutical products with manufacturers. Consolidated procurement of pharmaceutical products should facilitate hospital reform, reduce patient costs, prevent corrupt conducts, promote fair competition and induce the healthy growth of the pharmaceutical industry. According to the Opinion, provincial tendering processes will continue to be used for the pricing of essential drugs and generic drugs with significant demands, and transparent multi-party price negotiation will be used for some patented drugs and exclusive drugs.

On April 26, 2014, the NDRC issued the Notice on Issues concerning Improving the Price Control of Low Price Drugs, or the Low Price Drugs Notice, together with the LPDL. According to the Low Price Drugs Notice, for drugs with relatively low average daily costs within the current government-guided pricing scope (low price drugs), the maximum retail prices set by the government were cancelled. Within the standards of average daily costs, the specific purchase and sale prices are fixed by the producers and operators based on the drug production costs, market supply and demand and market competition. The standards of average daily costs of low price drugs are determined by the NDRC in consideration of the drug production costs, market supply and demand and other factors and based on the current maximum retail prices set by the government (or the national average bid-winning retail prices where the government does not set the maximum retail prices) and the average daily dose calculated according to the package insert. Under the Low Price Drugs Notice, the current standards for the daily cost of low price chemical pharmaceuticals and of low price traditional Chinese medicine pharmaceuticals are less than RMB3.0 (US$0.46) per day and RMB5.0 (US$0.76) per day respectively.

On May 4, 2015, the NDRC, the National Health and Family Planning Commission, the NMPA, MOFCOM and three other departments issued Opinions on Promoting Drug Pricing Reform. Under these opinions, beginning on June 1, 2015, the restrictions on the prices of the drugs that were subject to government pricing were cancelled except for narcotic drugs and Class I psychotropic drugs which are still subject to maximum factory prices and maximum retail prices set by the NDRC. The medical insurance regulatory authority now has the power to prescribe the standards, procedures, basis and methods of the payment for drugs paid by medical insurance funds. The prices of patented drugs are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the NRDL, immunity and prevention drugs that are purchased by the Chinese government in a centralized manner, and AIDS antiviral drugs and contraceptives provided by the Chinese government for free, are set through a tendering process. Except as otherwise mentioned above, the prices for other drugs may be determined by the manufacturers and the operators on their own on the basis of production or operation costs and market supply and demand.

Centralized Procurement and Tenders

The Guiding Opinions concerning the Urban Medical and Health System Reform, promulgated on February 21, 2000, aim to provide medical services with reasonable price and quality to the public through the establishment of an urban medical and health system. One of the measures used to realize this aim is the regulation of the purchasing process of pharmaceutical products by medical institutions. Accordingly, the MOH and other relevant government authorities have promulgated a series of regulations and releases in order to implement the tender requirements.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Tender Procurement of Drugs by Medical Institutions promulgated on July 7, 2000 and the Notice on Further Improvement on the Implementation of Centralized Tender Procurement of Drugs by Medical Institutions promulgated on August 8, 2001, medical institutions established by county or higher level government are required to implement centralized tender procurement of drugs.

The MOH promulgated the Working Regulations of Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation), or the Centralized Procurement Regulations, on March 13, 2002, and promulgated Sample Document for Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation), or the Centralized Tender Sample Document in November 2001, as amended in 2010, to implement the tender process requirements and ensure the requirements are followed uniformly throughout the country. The Centralized Tender Regulations and the Centralized Tender Sample Document provide rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. On January 17, 2009, the MOH, the NMPA and other four national departments jointly promulgated the Opinions on Further Regulating Centralized Procurement of Drugs by Medical Institutions. According to the notice, public medical institutions owned by the government at the county level or higher or owned

by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products through centralized procurement. Each provincial government shall formulate its catalogue of drugs subject to centralized procurement. Specifically, the procurement could be achieved through public tendering, online bidding, centralized price negotiations and online competition platform. Except for drugs in the NEML (the procurement of which shall comply with the relevant rules on NEML), certain pharmaceutical products which are under the national government's special control and traditional Chinese medicines, in principle, all drugs used by public medical institutions shall be covered by the catalogue of drugs subject to centralized procurement. On July 7, 2010, the MOH and six other ministries and commissions jointly promulgated the Working Regulations of Medical Institutions for Centralized Procurement of Drugs to further regulate the centralized procurement of drugs and clarify the code of conduct of the parties in centralized drug procurement.

The centralized tender process takes the form of public tender operated and organized by provincial or municipal government agencies, in principle is conducted once every year in all provinces and cities in China. Drug manufacturing enterprises, in principle, shall bid directly for the centralized tender process. Certain related parties, however, may be engaged to act as bidding agencies. Such intermediaries are not permitted to engage in the distribution of drugs and must have no conflict of interest with the organizing government agencies. The bids are assessed by a committee composed of pharmaceutical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, qualifications and reputation of the manufacturer, and after-sale services. Only pharmaceuticals that have won in the centralized tender process may be purchased by public medical institutions funded by government in the relevant region.

4+7 Quality Consistency Evaluation

On November 15, 2018, China's Joint Procurement Office published its Paper on Centralized Drug Procurement in "4+7 Cities," known as the 4+7 Quality Consistency Evaluation process, or 4+7 QCE. The 4+7 QCE initiative is aimed at driving consolidation in the fragmented generic drug market in China. The 4+7 QCE initiative began as a pilot program in 11 cities: Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an. Under this pilot program, the public medical institutions in these 11 cities bulk-buy certain generic drugs together, forcing companies to bid for contracts and driving down prices. The 4+7 QCE initiative has expanded nationwide and now covers more varieties of drugs. On September 1, 2019, the Joint Procurement Office published its Paper on Centralized Drug Procurement in Alliance Areas (GY-YD2019-1), such areas covering 25 provinces and regions across China. On December 29, 2019, the Joint Procurement Office published its Paper on Nationwide Centralized Drug Procurement (GY-YD2019-2), promoting procurement nationwide, and on January 13, 2020, the National Healthcare Security Administration, the NHC, the NMPA, the Ministry of Industrial and Information Technology and the Logistics Support Department of the Central Military Commission promulgated the

Notice on the Commencement of the Second Batch of State Organized Centralized Drug Procurement and Use, which states that the second batch of national organization of centralized procurement and use of drugs would not be carried out in selected areas but nationwide.

(b) U.S. Coverage and Reimbursement

Successful sales of our products or drug candidates in the U.S. market, if approved, will depend, in part, on the extent to which our drugs will be covered by third-party payors, such as government health programs, commercial insurance and managed healthcare organizations. Patients who are provided with prescriptions as part of their medical treatment generally rely on such third-party payors to reimburse all or part of the costs associated with their prescriptions and therefore adequate coverage and reimbursement from such third-party payors are critical to new product success. These third-party payors are increasingly reducing reimbursements for medical drugs and services. Additionally, the containment of healthcare costs has become a priority of federal and state governments, and the prices of drugs have been a focus in this effort. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic drugs. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Decreases in third-party reimbursement for our drug candidates, if approved, or a decision by a third-party payor to not cover our drug candidates could reduce physician usage of such drugs and have a material adverse effect on our sales, results of operations and financial condition.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, established the Medicare Part D program to provide a voluntary prescription drug benefit to Medicare beneficiaries. Under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities that provide coverage of outpatient prescription drugs. Unlike Medicare Part A and B, Part D coverage is not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. However, Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Medicare payment for some of the costs of prescription drugs may increase demand for drugs for which we receive regulatory approval. However, any negotiated prices for our drugs covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payors.

The American Recovery and Reinvestment Act of 2009 provides funding for the federal government to compare the effectiveness of different treatments for the same illness. The plan for the research was published in 2012 by the U.S. Department of Health and Human Services, the Agency for Healthcare Research and Quality and the National Institutes for Health, and periodic reports on the status of the research and related expenditures are made to Congress. Although the results of the comparative effectiveness studies are not intended to mandate coverage policies for public or private payors, if third-party payors do not consider a drug to be cost-effective compared to other available therapies, they may not cover such drugs as a benefit under their plans or, if they do, the level of payment may not be sufficient.

The Affordable Care Act, enacted in March 2010, has had a significant impact on the health care industry. The Affordable Care Act expanded coverage for the uninsured while at the same time containing overall healthcare costs. With regard to pharmaceutical products, the Affordable Care Act, among other things, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs, and created a new Medicare Part D coverage gap discount program, in which beginning in 2019 manufacturers must agree to offer 70% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D. The Bipartisan Budget Act of 2018 made certain changes to Medicare Part D coverage, including changing the date when the Medicare Part D coverage gap is eliminated from 2020 to 2019, sunsetting the exclusion of biosimilars from the Medicare Part D coverage gap discount program in 2019 and reallocating responsibility for discounted pricing under the Medicare Part D coverage gap discount program from third-party payors to pharmaceutical companies. In December 2017, Congress also repealed the "individual mandate," which was an Affordable Care Act requirement that individuals obtain healthcare insurance coverage or face a penalty. This repeal could affect the total number of patients who have coverage from third-party payors that reimburse for use of our products.

On December 14, 2018, a United States District Court judge in Texas ruled that the Affordable Care Act is unconstitutional in its entirety because of Congress's repeal of the individual mandate. On December 18, 2019, the United States Court of Appeals for the Fifth Circuit affirmed the portion of the district court's ruling declaring the individual mandate unconstitutional and remanded for the district court to conduct analysis in the first instance on which provisions of the statute are severable from it and thus remain intact. The U.S. Supreme Court agreed to hear the case and a decision is expected by the Spring of 2021.

In addition, other legislative and regulatory changes have been proposed and adopted in the United States since the Affordable Care Act was enacted that affect reimbursement for prescription drugs. On August 2, 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit

Reduction, tasked with recommending a targeted deficit reduction of at least US$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, started in April 2013. Section 4408 of the CARES Act temporarily suspended Medicare sequestration during the period of May 1, 2020 through December 31, 2020, while extending the Medicare sequestration sunset date through 2030. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, also reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Recent regulations adopted by the Centers for Medicare & Medicaid Services grant Medicare Part B plans authority to apply new cost control measures to steer patients toward lower-priced drug products prior to covering non-preferred, more expensive products. This could potentially have the result of reducing coverage of our products under Medicare Part B.

In addition, other proposed legislative and regulatory changes could affect reimbursement for prescription drugs. In January 2017, the Medicare Prescription Drug Price Negotiation Act was proposed in Congress, which would require the government to negotiate Medicare prescription drug prices with pharmaceutical companies. In October 2017, a similar bill, the Medicare Drug Price Negotiation Act of 2017 was proposed in Congress. In November 2017, the Centers for Medicare & Medicaid Services announced a Final Rule that would adjust the applicable payment rate as necessary for certain separately payable drugs and biologicals acquired under the 340B Program from average sales price plus 6% to average sales price minus 22.5%. Congress and the U.S. administration continue to evaluate other proposals that could affect third-party reimbursement for our drug candidates, if approved.

In October 2020, the U.S. Department of Health and Human Services and the FDA issued a final rule and guidance concerning two new pathways for importing lower-cost drugs into the United States. The final rule allows certain prescription drugs to be imported from Canada, and the guidance describes procedures for drug manufacturers to facilitate the importation of FDA-approved drugs and biologics manufactured abroad and originally intended for sale in a foreign country into the United States.

In November 2020, the Department of Health and Human Services, under the outgoing Trump administration, issued two rules aimed at lowering the cost of prescription drugs. The first rule would cap the price Medicare can pay for a drug to the lowest price paid in an economically comparable country within the Organization for Economic Cooperation and Development.

The rule was immediately challenged in at least four federal courts. On December 23, 2020, the U.S. District Court in Maryland issued a temporary restraining order preventing the rule from going into effect because the agency failed to conduct the required notice-and-comment rulemaking proceedings before promulgating the final rule. Shortly thereafter, the

U.S. District Court for the Northern District of California issued a nation-wide preliminary injunction, largely adopting the Maryland courts' reasoning. Under the Biden administration, the Department of Health and Human Services has indicated that the Most Favored Nation model will not be implemented without further rulemaking proceeding. It is unclear whether or how the Biden administration will move forward with the rule. The rule will not take effect until at least April 23, 2021, as litigation has been stayed pending a Centers for Medicare & Medicaid Services decision whether to rescind the rule or adopt it in final form. The second rule eliminates the safe harbor shielding Medicare Part D rebates to pharmacy benefit managers from the Anti-Kickback Statute. In response to litigation brought by a trade association on behalf of pharmacy benefit managers, the Biden administration has agreed to delay the rule's effective date until January 1, 2023. It is unclear whether or how the Biden administration will move forward with these rules. Such regulatory changes could have the effect of lowering the level of coverage or reimbursement for our products.

(c) Rest of the World Coverage and Reimbursement

In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal drugs for which their national health insurance systems provide reimbursement and to control the prices of medicinal drugs for human use. A member state may approve a specific price for the medicinal drug or it may instead adopt a system of direct or indirect controls on the profitability of our Company placing the medicinal drug on the market. Historically, drugs launched in the European Union do not follow price structures of the United States and generally tend to be significantly lower.

3. OTHER HEALTHCARE LAWS

(a) Other PRC Healthcare Laws

Advertising of Pharmaceutical Products

In accordance with the Interim Administrative Measures for the Censorship of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes effective from March 1, 2020, the State Administration for Market Regulation is responsible for organizing and guiding the censorship of advertisements for drugs, medical devices, health foods and formula foods for special medical purposes. Any advertisement for drugs, medical devices, health food or formula food for special medical purposes shall indicate the advertisement approval number in a prominent position. The validity period of the advertisement approval number for drugs, medical devices, health food and formula food for special medical purposes shall be consistent with the shortest period of validity of the product registration certificate, record-filing certificate, or production license. Where no period of validity is prescribed in the product registration certificate, record-filing certificate or production license, the period of validity of the advertisement approval number shall be two years.

Packaging of Pharmaceutical Products

According to the Measures for The Administration of Pharmaceutical Packaging, effective on September 1, 1988, pharmaceutical packaging must comply with the provisions of the national standard and professional standard. If there are no standards, the enterprise can formulate its own standard after obtaining the approval of the provincial level drug administration or bureau of standards. The enterprise shall reapply to the relevant authorities if it needs to change the packaging standard. Drugs without packing must not be sold in PRC (except for drugs needed by the army).

Labor Protection

Under the Labor Law of the PRC, effective on January 1, 1995 and subsequently amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC, effective on January 1, 2008 and subsequently amended on December 28, 2012, and the Implementing Regulations of the Labor Contract Law of the PRC, effective on September 18, 2008, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the Labor Contract Law of the PRC.

Pursuant to the Law of Manufacturing Safety of the PRC effective on November 1, 2002 and subsequently amended on August 31, 2014, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers not meeting relevant legal requirements are not permitted to commence their manufacturing activities.

Pursuant to the Administrative Measures Governing the Production Quality of Pharmaceutical Products effective on March 1, 2011, manufacturers of pharmaceutical products are required to establish production safety and labor protection measures in connection with the operation of their manufacturing equipment and manufacturing process.

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law which became effective on July 1, 2011 and subsequently amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds which became effective on January 22, 1999 and subsequently amended on March 24, 2019, the Interim Measures concerning the Maternity Insurance which became effective on January 1, 1995 and the Regulations on Work-related Injury Insurance which became effective on January 1, 2004 and were subsequently amended on December 20, 2010, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, and maternity insurance. If an employer fails to make social insurance contributions timely and in full, the social insurance collecting authority will order the

employer to make up outstanding contributions within the prescribed time period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make social insurance registration, the social insurance collecting authority will order the employer to correct within the prescribed time period. The relevant administrative department may impose a fine equivalent to three times the overdue amount and management personnel who are directly responsible can be fined RMB500 (US$76.43) to RMB3,000 (US$458.02) if the employer fails to correct within the prescribed time period.

Commercial Bribery

Medical production and operation enterprises involved in criminal, investigation or administrative procedure for commercial bribery will be listed in the Adverse Records of Commercial Briberies by provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry enforced on March 1, 2014 by the National Health and Family Planning Commission, if medical production and operation enterprises are listed into the Adverse Records of Commercial Briberies for the first time, their production shall not be purchased by public medical institutions and medical and health institutions receiving financial subsidies in local provincial regions for a period of two years following the publication of the Adverse Records, and public medical institutions, and medical and health institutions receiving financial subsidies in other provinces shall lower their rating in bidding or purchasing process. If medical production and operation enterprises are listed into the Adverse Records of Commercial Briberies twice or more times in five years, their production may not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide in two years from public of the record.

As advised by our PRC legal advisor, from a PRC law perspective, a pharmaceutical company will not be penalized by the relevant PRC government authorities merely by virtue of having contractual relationships with distributors or third-party promoters who are engaged in bribery activities, so long as such pharmaceutical company and its employees are not utilizing the distributors or third-party promoters for the implementation of, or acting in conjunction with them in, the prohibited bribery activities. In addition, a pharmaceutical company is under no legal obligation to monitor the operating activities of its distributors and third-party promoters, and will not be subject to penalties or sanctions by relevant PRC government authorities as a result of failure to monitor their operating activities.

Product Liability

In addition to the strict new drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Pursuant to the Civil

Code of the PRC, or the PRC Civil Code, promulgated on May 28, 2020 and effective on January 1, 2021, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury.

On February 22, 1993, the Product Quality Law of the PRC, or the Product Quality Law, was promulgated aiming to define responsibilities for product quality, to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was amended by the Ninth National People's Congress on July 8, 2000 and was later amended by the Eleventh National People's Congress on August 27, 2009 and the Thirteenth National People's Congress on December 29, 2018. Pursuant to the amended Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers was promulgated on October 13, 1993 and was amended on October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendment on October 25, 2013, all business operators shall pay high attention to protect the customers' privacy which they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liabilities under applicable laws of the PRC if their goods or services lead to the death or injuries of customers or other third parties.

Pursuant to the PRC Civil Code, if damages to other persons are caused by defective products that are resulted from the fault of a third-party such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they cause damages due to their failure to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced and sold with known defects, causing deaths or severe damage to the health of others, the infringed party shall have the right to claim respective punitive damages in addition to compensatory damages.

Other PRC National-and Provincial-Level Laws and Regulations

We are subject to changing regulations under many other laws and regulations administered by governmental authorities at the national, provincial and municipal levels, some of which are or may become applicable to our business. Our hospital customers are also subject to a wide variety of laws and regulations that could affect the nature and scope of their relationships with us.

For example, regulations control the confidentiality of patients' medical information and the circumstances under which patient medical information may be released for inclusion in our databases, or released by us to third parties. These laws and regulations governing both the disclosure and the use of confidential patient medical information may become more restrictive in the future.

We also comply with numerous additional state and local laws relating to matters such as safe working conditions, manufacturing practices, environmental protection and fire hazard control. We believe that we are currently in compliance with these laws and regulations; however, we may be required to incur significant costs to comply with these laws and regulations in the future. Unanticipated changes in existing regulatory requirements or adoption of new requirements could therefore have a material adverse effect on our business, results of operations and financial condition.

(b) Other U.S. Healthcare Laws

We may also be subject to healthcare regulation and enforcement by the U.S. federal government and the states where we may market our drug candidates, if approved. These laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, privacy and security and physician sunshine laws and regulations.

Anti-Kickback Statute

The federal Anti-Kickback Statute prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchase or order of a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers. The Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare, pharmaceutical, and biotechnology companies based on a range of financial arrangements with physicians and other healthcare industry entities. A person or entity does not need to have actual knowledge of the Anti-Kickback statute or specific intent to violate it in order to have committed a violation. Violations of the Anti-Kickback Statute can result in criminal, civil, or administrative liability. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act.

False Claims

Additionally, the civil False Claims Act prohibits knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the U.S. government. Actions under the False Claims Act may be brought by the U.S. Attorney General or as a qui tam action by a private individual in the name of the government. Analogous state law equivalents may apply and may be broader in scope than the federal requirements. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The federal government is using the False Claims Act, and the accompanying threat of significant liability, in its investigation and prosecution of pharmaceutical and biotechnology companies throughout the United States, for example, in connection with the violations of the Anti-Kickback Statute, the promotion of products for unapproved uses and other sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions and corporate resolutions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, also created new federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Payments to Physicians

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The Affordable Care Act, among other things, imposes new reporting requirements on drug manufacturers for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information may result in civil monetary penalties of up to an aggregate of US$150,000 per year (or up to an aggregate of US$1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Drug manufacturers were required to begin collecting data on August 1, 2013 and submit reports to the government by March 31, 2014 and June 30, 2014, and the 90th day of each subsequent calendar year. Certain states also mandate implementation of compliance programs, impose restrictions on drug manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians.

Data Privacy and Security

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of personal health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

4. PRC REGULATION OF FOREIGN CURRENCY EXCHANGE, OFFSHORE INVESTMENT AND STATE-OWNED ASSETS

(a) PRC Foreign Currency Exchange

Foreign currency exchange regulation in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (1996), as last amended on August 5, 2008, or the Exchange Rules; and

- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Exchange Rules, the renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of renminbi for capital account items, such as direct investment, loan, security investment and repatriation of investment, however, is still subject to the SAFE's scrutiny.

Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the MOFCOM, the SAFE and the NDRC.

Pursuant to the Circular on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies, or Circular 59, promulgated by the SAFE on November 19, 2012 and became effective on December 17, 2012, approval is not required for the opening of and payment into foreign exchange accounts under direct investment, for domestic reinvestment with legal income of foreign investors in China. Circular 59 also simplified the capital verification and confirmation formalities for Chinese foreign-invested enterprises and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities of Chinese party and other items. Circular 59 further improved the administration on exchange settlement of foreign exchange capital of Chinese foreign-invested enterprises.

Foreign Exchange Registration of Offshore Investment by PRC Residents

In July 2014, the SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Round Trip Investment via Special Purpose Vehicles, or Circular 37, and its implementation guidelines, which abolishes and supersedes the SAFE's Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles, or Circular 75. Pursuant to Circular 37 and its implementation guidelines, PRC residents (including PRC institutions and individuals) must register with local branches of the SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with the SAFE when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV. Failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies. Based on this regulation, directors, supervisors, senior management and other employees of domestic subsidiaries or branches of a company listed on an overseas stock market who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the SAFE or its local counterparts by following certain procedures if they participate in any stock incentive plan of the company listed on an overseas stock market. Foreign exchange income received from the sale of shares or dividends distributed by the overseas listed company may be remitted into a foreign currency account of such PRC citizen

or be exchanged into renminbi. Our PRC citizen employees who have been granted share options have been subject to these rules due to our admission to trading on the AIM market of the London Stock Exchange and the listing of our ADSs on Nasdaq.

(b) Regulation on Investment in Foreign-invested Enterprises

Pursuant to PRC law, the registered capital of a limited liability company is the total capital contributions subscribed for by all the shareholders as registered with the company registration authority. A foreign-invested enterprise also has a total investment limit that is approved by or filed with the MOFCOM or its local counterpart by reference to both its registered capital and expected investment scale. The difference between the total investment limit and the registered capital of a foreign-invested enterprise or the cross-border financing risk weighted balance calculated based on a formula by the PBOC represents the foreign debt financing quota to which it is entitled (i.e., the maximum amount of debt which the company may borrow from a foreign lender). A foreign-invested enterprise is required to obtain approval from or file with the MOFCOM or its local counterpart for any increases to its total investment limit. In accordance with these regulations, we and our joint venture partners have contributed financing to our PRC subsidiaries and joint ventures in the form of capital contributions up to the registered capital amount and/or in the form of shareholder loans up to the foreign debt quota. According to the financing needs of our PRC subsidiaries and joint ventures, we and our joint venture partners have requested and received approvals from the government authorities for increases to the total investment limit for certain of our PRC subsidiaries and joint ventures from time to time. As a result, these regulations have not had a material impact to date on our ability to finance such entities.

(c) Regulation on Dividend Distribution

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include:

- Company Law of the PRC (1993), as amended in 1999, 2004, 2005, 2013 and 2018;
- Foreign Investment Law of the PRC; and
- Implementation Rules for the Foreign Investment Law.

Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50.0% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

(d) Filings and Approvals Relating to State-Owned Assets

Pursuant to applicable PRC state-owned assets administration laws and regulations, incorporating a joint venture that will have investments of assets that are both state-owned and non-state-owned, investing in an entity that was previously owned by a state-owned enterprise and restructuring an enterprise owned by the whole people require the performance of an assessment of the relevant state-owned assets and the filing of the assessment results with the competent state-owned assets administration, finance authorities or other regulatory authorities and, if applicable, the receipt of approvals from such authorities.

Our joint venture partners were required to perform a state-owned asset assessment when Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan were incorporated and our joint venture partners contributed state-owned assets, and when we invested in Hutchison Sinopharm, which was previously wholly-owned by Sinopharm, a state-owned enterprise. In addition, Hutchison Sinopharm was required to perform a state-owned asset assessment when Hutchison Sinopharm restructured from an enterprise owned by the whole people into a limited liability enterprise. In all four instances, our joint venture partners have informed us that they or Hutchison Sinopharm have duly filed the relevant state-owned asset assessment results with, and obtained the requisite approvals from, the relevant governmental authorities as required by the foregoing laws and regulations. Accordingly, we believe that such joint ventures are in full compliance with all applicable laws and regulations governing the administration and restructuring of state-owned assets, although we are currently unable to obtain copies of certain filing and approval documents from our joint venture partners due to their internal confidentiality constraints. We have not received any notice of warning or been subject to any penalty or other disciplinary action from the relevant governmental authorities with respect to the applicable laws and regulations governing the administration and restructuring of state-owned assets.

B. TAXATION

The following summary of certain PRC, Hong Kong and Cayman Islands income tax consequences of the purchase, ownership and disposition of the Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The 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 Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules and is not intended to be and should not be taken to constitute legal or tax advice. Prospective investors should consult their own tax advisors concerning the application of PRC, Hong Kong and Cayman Islands tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Shares arising under the laws of any other taxing jurisdiction. Neither the Company nor any of the Relevant Persons assumes any responsibility for any tax consequences or liabilities that may arise from the subscription for, holding or disposal of the Shares.

The taxation of the Company and that of the Shareholders is described below. Where tax laws are discussed, these are merely an outline of the implications of such laws. Such laws and regulations may be interpreted differently. It should not be assumed that the relevant tax authorities or courts will accept or agree with the explanations or conclusions that are set out below.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

1. TAXATION IN THE PRC

PRC Enterprise Income Tax

Under the EIT Law, which was promulgated on March 16, 2007 and subsequently amended on February 24, 2017 and December 29, 2018, and its implementation rules which became effective on January 1, 2008, 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 bodies" are located in the PRC is considered a "resident enterprise" and will be subject to a uniform EIT rate of 25% on its global income. In April 2009, the SAT, in Circular 82, 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 organizations 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 a non-PRC enterprise is classified as a "resident enterprise" for EIT purposes, any dividends to be distributed by that enterprise to non-PRC resident shareholders or any gains realized by such investors from the transfer of shares may be subject to PRC tax. If the PRC tax authorities determine that we should be considered a PRC resident enterprise for EIT purposes, any dividends payable by us to our non-PRC resident enterprise shareholders, as well as gains realized by such investors from the transfer of our shares may be subject to a 10% withholding tax, unless a reduced rate is available under an applicable tax treaty. Furthermore, if we are considered a PRC resident enterprise for EIT purposes, it is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders. If any PRC tax were to apply to dividends realized by non-PRC individuals, it would generally apply at a rate of up to 20% unless a reduced rate is available under an applicable tax treaty.

According to the EIT Law, dividends declared after January 1, 2008 and paid by PRC foreign-invested enterprises to their non-PRC parent companies will be subject to PRC withholding tax at 10% unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is a tax resident and which specifically exempts or reduces such withholding tax, and such tax exemption or reduction is approved by the relevant PRC tax authorities. Pursuant to the Arrangement, if the non-PRC immediate holding company is a Hong Kong tax resident and directly holds a 25% or more equity interest in the PRC enterprise and is considered to be the beneficial owner of dividends paid by the PRC enterprise, such withholding tax rate may be lowered to 5%, subject to approval by the relevant PRC tax authorities in accordance with relevant tax regulations upon the assessment of beneficial ownership.

2. OVERVIEW OF TAX IMPLICATIONS OF VARIOUS OTHER JURISDICTIONS

(a) Hong Kong Taxation

Profits Tax

The Company is a Hong Kong tax resident. Hong Kong tax residents are subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income earned by a Hong Kong tax resident is generally not subject to Hong Kong profits tax.

Hong Kong Tax on Shareholders

No tax is payable in Hong Kong in respect of dividends paid by a Hong Kong tax resident to their shareholders.

Hong Kong profits tax will not be payable by our Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisors as to their particular tax position.

Hong Kong Stamp Duty

Dealings in our Shares which are registered on the Hong Kong register of members will be subject to Hong Kong stamp duty.

Hong Kong stamp duty will be charged on the sale, purchase or transfer of Shares registered with the Company in Hong Kong. Hong Kong stamp duty will apply at the current standard rate of 0.2% (which is proposed to be increased to 0.26% as announced by the Hong Kong Government in its Budget for 2021/22 and to be effective upon approval by the Legislative Council and the enactment of amendments to the Stamp Duty Ordinance) on the higher of the consideration paid for, or the market value of the Shares being sold, purchased or transferred, whether or not the sale or purchase is effected on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will both be legally and severally liable for the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

(b) Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but it is otherwise not a party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking: (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to us or our operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable (i) on its shares, debentures or other obligations; or (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Act.

The undertaking is for a period of twenty years from December 31, 2020.

This Appendix contains a summary of the Memorandum and Articles of Association of the Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 18, 2000 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on May 29, 2019 with effect from the Listing Date. As advised by the Cayman legal advisors to the Company, on the Listing Date, the Articles which were conditionally adopted by the Shareholders at the extraordinary general meeting of the Company held on May 29, 2019 will automatically take effect and replace the existing articles of association of the Company which were adopted by the Shareholders at the annual general meeting of the Company held on April 27, 2020 in their entirety.

The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as such term is defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, title to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Designated Stock Exchange (as such term is defined in the Articles) that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Designated Stock Exchange (as such term is defined in the Articles) that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. 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 in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the rules of the Designated Stock Exchange (as such term is defined in the Articles) may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

Notwithstanding the foregoing, the board may, subject to the Statutes (as such term is defined in the Articles) and if permitted by the Cayman Companies Law, permit shares of any class to be held in uncertificated form to be transferred without an instrument of transfer by means of a relevant system, including (without limitation) CREST (as such term is defined in the Articles).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Designated Stock Exchange (as such term is defined in the Articles), at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the rules of any Designated Stock Exchange (as such term is defined in the Articles).

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from

whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office until either (i) the first general meeting of members after his appointment (in the case of filling a casual vacancy) or (ii) the next following annual general meeting of the Company (in the case of an addition to the existing board) and shall then be eligible for re-election at that meeting.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such

committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions set out below, the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may, subject to the provisions set out below, issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions set out below, the Cayman Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as such term is defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

The board shall not exercise any power of the Company to allot relevant securities, unless they are authorized to do so by ordinary resolution of the Company in general meeting.

"relevant securities" means:

(aa) shares in the Company other than shares shown in the Memorandum to have been taken by the subscribers to it or shares allotted in pursuance of an Employees' Share Scheme (as such term is defined in the Articles); and

(bb) any right to subscribe for, or to convert any security into, shares in the Company (other than shares so allotted);

and a reference to the allotment of relevant securities includes the grant of such a right but not the allotment of shares pursuant to such a right.

Authority under the foregoing provisions may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions.

In relation to the grant of such rights as are mentioned in sub-paragraph (bb) above, the maximum amount of relevant securities that may be allotted under an authority given pursuant to this provision shall be treated as a reference to the maximum amount of shares which may be allotted pursuant to the rights.

The board may allot relevant securities, notwithstanding that any authority given under the Articles has expired, if they are allotted in pursuance of an offer or agreement made by the Company before the authority expired.

Unless the Company by special resolution directs otherwise, any new Equity Shares (as such term is defined in the Articles) will be offered by the Directors for subscription to the holders of the Equity Shares in such proportions as equal (as nearly as possible) the proportion of Equity Shares held by them respectively at that time. For this purpose, all Equity Shares will be treated as one class of share and the provisions of the penultimate sentence of Article 13(1) shall apply to any such offer.

The offer will be made by notice specifying the number and class of shares offered, the price per share, and a time (being not less than 14 days) within which the offer, if not accepted, will be deemed to be declined.

Any shares not taken up at the end of the procedure set out in the preceding paragraph may be offered by the Directors to a third-party and such shares will be at the disposal of the Directors who may, subject to the Articles, allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms as they think fit. However:

(aa) no shares will be issued at a discount;

(bb) no shares will be issued more than three months after the end of the period for acceptance of the last offer of such shares set out in the preceding paragraph unless the procedure set out in those Articles is repeated in respect of such shares; and

(cc) no shares will be issued on terms which are more favorable than those on which they were offered to the members.

The provisions of the preceding three paragraphs will not apply to a particular allotment of Equity Shares if these are, or are to be:

(aa) wholly or partly paid up otherwise than in cash; or

(bb) issued in connection with or pursuant to an Employees' Share Scheme but otherwise will apply to all Equity Shares of the Company which may be issued from time to time.

If, due to any inequality between the number of new shares to be issued and the number of shares held by members entitled to have the offer of new shares made to them, any difficulty arises in the apportionment of any such new shares amongst the members, such difficulties will be determined by the board.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third-party.

(v) Remuneration

Directors shall be paid out of the funds of the Company for their services subject to such limit (if any) as the Directors may from time to time determine. The Directors shall also receive by way of additional fees for performing (in the view of the Directors or any committee of them so authorised) any special or extra services for the Company such further sums (if any) as the Company in general meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally. Such remuneration shall be deemed to accrue from day to day. The provisions of this paragraph shall not apply to the remuneration of any Managing Director or executive Director which shall be determined pursuant to the other provisions of the Articles. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is, or whose close associate is, in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his or his close associate's interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his or his close associate's interest then exists, or in any other case, at the first meeting of the board after he knows that he or his close associate is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third-party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in five per cent or more of any class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this paragraph to be a material interest in all circumstances);

(ff) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme or employees' share scheme under which he may benefit and which either relates to both employees and Directors of the Company;

(gg) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates;

(hh) any contract, arrangement, transaction or proposal concerning the adoption modification or operation of any scheme for enabling employees including full time executive Directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to employees and which does not accord to any Director as such any privilege not accorded to the employees to whom the scheme relates; and

(ii) any arrangement for purchasing or maintaining for any officer or auditor of the Company or any of its subsidiaries insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, breach of duty or breach of trust for which he may be guilty in relation to the Company or any of its subsidiaries of which he is a director, officer or auditor.

If at any time the Company shall have a class of shares admitted to trading on AIM, a market operated by the London Stock Exchange, the provisions of chapter 5 of the Disclosure Guidance and Transparency Rules (as amended from time to time) of the U.K. Financial Conduct Authority Handbook ("**DTR**") shall be deemed to be incorporated by reference into the Articles and accordingly the vote holder and issuer notification rules as set out in the DTR shall apply to the Company and each member of the Company as if the Company were an "issuer" (as defined in the DTR).

Pursuant to the foregoing, for the purpose of the application of the DTR to the Company and each member of the Company and for the purposes of this paragraph and the preceding paragraph only:

(aa) the Company shall be deemed to be an "issuer" as defined in chapter 5 of the DTR (and not a "non-U.K. issuer"); and

(bb) "shares" shall mean any class of shares in the Company admitted to trading on AIM, a market operated by the London Stock Exchange.

For the avoidance of doubt, rules 5.9, 5.10 and 5.11 of chapter 5 of the DTR shall not apply to the Company or the Company's members, as the case may be.

(c) Proceedings of the Board

The board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of any member being a corporation, by its duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of any member being a corporation, by its duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share; and where a show of hands is allowed, every member present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a show of hands or, where required by the rules of any Designated Stock Exchange, by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation,

is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any member is, under the rules of the Designated Stock Exchange (as such term is defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice referred to in Section 793 of the English Act (as such term is defined in the Articles) and is in default for the prescribed period referred to in the Articles in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a "Direction Notice") upon such member as follows:

(aa) a Direction Notice may direct that, in respect of the shares in relation to which the default occurred (the "Default Shares") (which expression shall include any further shares which are issued in respect of such shares), the member shall not be entitled to be present or to vote at any general meeting either personally or by proxy or to exercise any other rights conferred by membership in relation to meetings of the Company; and

(bb) where the Default Shares represent at least 0.25 per cent of the share capital of the Company, then the Direction Notice may additionally direct that:

(A) in respect of the Default Shares, any dividend or other money which would otherwise be payable on such shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid to the member; and/or

(B) no transfer of any of the Default Shares held by such member shall be registered unless:

(1) the member is not himself in default as regards supplying the information required; and

(2) the transfer is of part only of the member's holding and when presented for registration is accompanied by a certificate of the member in a form satisfactory to the Directors to that effect that after due and careful enquiry the Directors are satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

(cc) The Company shall send to each other person appearing to be interested in the shares the subject of any Direction Notice a copy of the Direction Notice, but the failure or omission by the Company to do so shall not invalidate such Direction Notice. Neither the Company nor the Directors shall in any event be liable to any person as a result of the Directors having imposed any restrictions pursuant to this provision if the Directors have acted in good faith.

(dd) Any Direction Notice shall have effect in accordance with its terms for so long as the default in respect of which it was issued continues. Any Direction Notice shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer. The Directors may at any time give notice cancelling a Direction Notice, in whole or in part, or suspending, in whole or part, the imposition of any restrictions contained in the Direction Notice for a given period.

(ee) For the purposes of this paragraph:

(A) a person shall be treated as appearing to be interested in any shares if the member holding such shares has given to the Company a notification referred to in Section 793 of the English Act (as such term is defined in the Articles) which either (a) names such person as being so interested or (b) fails to establish the identities of those interested in the shares and (after taking into account the said notification) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares;

(B) the prescribed period in respect of any particular member is 28 days from the date of service of the said notice, except where the Default Shares represent at least 0.25 per cent of the share capital of the Company, in which case such period shall be reduced to 14 days; and

(C) a transfer of shares is an approved transfer if, but only if:

(1) it is a transfer of shares to an offeror by way or in pursuant of acceptance of a takeover offer for a Company; or

(2) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with a member and any other persons appearing to be interested in such shares and the transfer results from a sale made through a recognized investment exchange (as defined in the Financial Services and Markets Act 2000 of the United Kingdom) or any stock exchange outside the United Kingdom on which the Company's shares are normally traded (apart from any sale resulting from matching bargains) through the relevant market.

(ff) Reference to a person being in default in supplying to the Company the information required by a Direction Notice includes:

(A) reference to his having failed or refused to give all or any part of it; and

(B) reference to his having given information which he knows to be false in a material particular or having recklessly given information which is false in a material particular.

Where the Company has knowledge that any member is, under the rules of any Designated Stock Exchange (as such term is defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months

after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days. All other general meetings shall be called by notice of at least fourteen (14) clear days. The notice shall specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

A notice of the general meeting which is to be an electronic/hybrid meeting shall state details of the facilities for attendance and participation by electronic means at the meeting ("electronic facilities") or shall state where such details will be made available by the Company prior to the meeting. If satellite locations are provided for, the notice may, but shall not be required to, specify in the notice the satellite locations. In addition, notice of every general meeting must be given to all members of the Company (other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company), and also to, among others, the auditors for the time being of the Company.

If, after the sending of the notice of an electronic/hybrid meeting but before the meeting is held (or after the adjournment of an electronic/hybrid meeting but before the adjourned meeting is held), the Directors consider that it is impractical, undesirable or unreasonable to hold the meeting at its stated time using electronic facilities they may, without sending a new notice of meeting, change the meeting to a physical meeting or change the electronic facilities (and make details of the new electronic facilities available in the manner stated in the notice of meeting) and/or postpone the time at which the meeting is to be held. An adjourned or postponed general meeting may be held as a physical meeting or an electronic/hybrid meeting irrespective of the form of the general meeting which was adjourned.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Designated Stock Exchange (as such term is defined in the Articles). Subject to compliance with Cayman Islands law and the rules of the Designated Stock Exchange (as such term is defined in the Articles), notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Hong Kong Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg) below; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

The Board may, at its absolute discretion, arrange for members to attend a general meeting (including any adjourned or postponed meeting) by simultaneous attendance and participation at meeting location(s) using electronic means at such location or locations in any part of the world (each a "satellite location") as the Board may, at its absolute discretion, designate. The members present in person or by proxy at the meeting location(s) shall be counted in the quorum for, and entitled to vote at, the subject general meeting, and that meeting shall be duly constituted and its proceedings valid provided that the chairman of the meeting is satisfied that adequate electronic facilities are available throughout the meeting to ensure that members attending at all the meeting locations are able to hear all those persons present and speak at the Specified Place and at any other meeting location held by electronic means and be heard by all other persons in the same way, but under no circumstances shall the inability of one or more members or proxies to access, or continue to access, the electronic facilities despite adequate electronic facilities being made available by the Company, affect the validity of the meeting or any business conducted at the meeting. If it appears to the chairman of the meeting that the electronic facilities for the meeting have become inadequate for the purposes of holding the meeting then the chairman of the meeting may, with or without the consent of the meeting, adjourn the meeting (before or after it has started). The chairman of the meeting shall be present at, and the meeting shall be deemed to take

place, at the place specified in the notice convening a meeting as the place of the meeting (the "Specified Place"). The powers of the chairman of the meeting shall apply equally to the satellite locations. Under no circumstances will a failure (for any reason) of communication equipment, or any other failure in the arrangements for participation in a general meeting at more than one place, affect the validity of such meeting at the Specified Place, or any business conducted at such meeting.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(vii) Security Arrangements, Orderly Conduct and Confidential Information

(aa) The Directors can put in place arrangement, both before and during any general meeting, which they consider to be appropriate for the proper and orderly conduct of the general meeting and the safety of people attending it. This authority includes power to refuse entry to, or remove from meetings, people who fail to comply with the arrangements.

(bb) The chairman of a meeting can take any action he considers appropriate for proper and orderly conduct at a general meeting. The chairman's decision on points of order, matters of procedure or on matters that arise incidentally from the business of a meeting is final, as is the chairman's decision on whether a point or matter is of this nature.

(cc) No shareholder at a general meeting is entitled to require disclosure of or any information about any detail of the Company's trading, or any matter that is or may be in the nature of a trade secret, commercial secret or secret process, or that may relate to the conduct of the business of the Company, if the directors decide it would be inexpedient in the interests of the company to make that information public.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of any Designated Stock Exchange (as such term is defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare final dividends in any currency to be paid to the members but no final dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders 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 entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, 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 in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, if appropriate, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution 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 pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members 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 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 the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is

not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from December 31, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies of the Cayman Islands for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Cayman Companies Law. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "*Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection*". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on December 18, 2000 under the name "Hutchison Global MediTech Limited". Its name was changed to "Hutchison China MediTech Limited 和黃中國醫藥科技有限公司" on August 4, 2005 and to "HUTCHMED (China) Limited 和黃醫藥(中國)有限公司" on April 29, 2021.

The Company has established a place of business in Hong Kong at 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on May 12, 2011, with Ms. Edith Shih of 13C, 9 Brewin Path, Hong Kong appointed as the Hong Kong authorized representative of the Company on April 8, 2011 for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to Cayman Islands law and to its constitution which comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association of the Company and the Cayman Companies Law is set out in "*Appendix V – Summary of the Constitution of the Company and Cayman Companies Law*."

2. Changes in the Share Capital of the Company

As at the date of incorporation of the Company, the authorized share capital of the Company was US$50,000 divided into 50,000 shares with a par value of US$1.00 each. On May 19, 2006, the authorized share capital was increased from US$50,000 to US$75,000,000 divided into 75,000,000 shares with a par value of US$1.00 each. On April 24, 2019, the authorized share capital was increased from US$75,000,000 to US$150,000,000 divided into 150,000,000 shares with a par value of US$1.00 each.

The following alterations in the issued and paid-up share capital of the Company have taken place within the two years immediately preceding the date of this prospectus:

(a) the Shareholders approved the Share Split by ordinary resolution at the extraordinary general meeting of the Company held on May 29, 2019. The Share Split took effect on May 30, 2019 pursuant to which each share of the Company was subdivided into 10 Shares, and the par value of the shares of the Company was changed from US$1.00 per share to US$0.10 per Share. Immediately after the Share Split, the authorized share capital of the Company became US$150,000,000 divided into 1,500,000,000 Shares of par value of US$0.10 each;

(b) during 2019, a total of 329,000 Shares were issued pursuant to the exercise of share options under the Hutchmed Option Schemes;

(c) on January 27, 2020, 22,000,000 Shares were issued pursuant to the public offering of ADSs on Nasdaq;

(d) on February 10, 2020, 1,668,315 Shares were issued pursuant to the exercise of the over-allotment option of the public offering of ADSs on Nasdaq;

(e) on July 2, 2020 and July 3, 2020, 20,000,000 Shares were issued pursuant to a private placement, in connection with which the Warrant was entered into on July 2, 2020 (which upon exercise entitles General Atlantic to subscribe for 16,666,670 Shares for the exercise period from the date of the Warrant until 5pm EST on January 3, 2022, and which remained outstanding as at the Latest Practicable Date);

(f) on November 26, 2020, 16,666,670 Shares were issued pursuant to a private placement;

(g) during 2020, a total of 480,780 Shares were issued pursuant to exercise of share options under the Hutchmed Option Schemes;

(h) on April 14, 2021, 16,393,445 Shares were issued pursuant to a private placement; and

(i) during 2021 and up to the Latest Practicable Date, a total of 400,000 Shares were issued pursuant to exercise of share options under the Hutchmed Option Schemes.

Save as disclosed above and in "*– Resolutions of the Shareholders Passed on April 28, 2021*" below, there has been no alteration in the share capital of the Company within the two years immediately preceding the date of this prospectus.

3. Subsidiaries

The details of the principal subsidiaries and equity investees of the Company are shown below and in *"Appendix I — Accountant's Report*":

Name	Place of Incorporation	Date of Incorporation	Issued / Registered Share Capital	Equity interest attributable to the Group
Subsidiaries				
Hutchison MediPharma Limited	PRC	September 30, 2002	US$282,000,000	99.75%
HUTCHMED International Corporation (formerly Hutchison MediPharma International Inc.)	Delaware, U.S.	March 1, 2017	US$1,000	99.75%

Name	Place of Incorporation	Date of Incorporation	Issued / Registered Share Capital	Equity interest attributable to the Group
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited	PRC	September 23, 1993	RMB63,570,000	50.87%
Hutchison Hain Organic (Hong Kong) Limited	Hong Kong	June 30, 2009	HK$1,000,000	50%
Hutchison Healthcare Limited	PRC	February 27, 2001	RMB207,460,000	100%
Hutchison Consumer Products Limited	Hong Kong	December 5, 2007	HK$1	100%
Equity Investees				
Shanghai Hutchison Pharmaceuticals Limited	PRC	April 30, 2001	RMB229,000,000	50%
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited	PRC	April 12, 2005	RMB200,000,000	40%

The following subsidiaries of the Company were incorporated within the two years immediately preceding the date of this prospectus:

(a) Hutchison China MediTech Investment Limited was incorporated on February 4, 2020;

(b) HUTCHMED Europe B.V. (formerly Hutchison MediPharma International B.V.) was incorporated on June 15, 2020; and

(c) HUTCHMED US Corporation was incorporated on February 18, 2021.

Save as disclosed above, no subsidiary of the Company was incorporated within two years immediately preceding the date of this prospectus.

The share capital of the following subsidiaries of the Company were altered within two years immediately preceding the date of this prospectus:

(a) the registered share capital of HMPL was increased from US$132,000,000 to US$182,000,000 on May 16, 2019, and further increased to US$222,000,000 on August 31, 2020, and further increased to US$282,000,000 on February 18, 2021;

(b) the issued share capital of Hutchison Chinese Medicine (Guangzhou) Investment Limited was increased from US$1 to US$2 on December 23, 2019; and

(c) the issued share capital of Hutchison China MediTech Investment Limited was increased from US$1 to US$14 on May 6, 2020.

The following subsidiaries of the Company were dissolved within the two years immediately preceding the date of this prospectus:

(a) Sen Medicine (France) Investment Holdings Limited was dissolved on May 13, 2020;

(b) Hutchison China MediTech Finance Holdings Limited was dissolved on June 17, 2020;

(c) Hutchison Chinese Medicine GSP (HK) Holdings Limited was dissolved on March 18, 2021; and

(d) Hutchison Chinese Medicine GSP (BVI) Holdings Limited was dissolved on May 17, 2021.

Nutrition Science Partners Limited reduced its share capital by HK$124,800,000 on March 24, 2020.

Save as set out above and in "*Appendix I – Accountant's Report*," there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons are directly or indirectly interested in 10% or more of the issued voting shares of the following subsidiaries of the Company:

Name of Subsidiary	**Name of Shareholder**	**Number of shares or amount of share capital held or interested in**	**Approximate Percentage (%)**
Hutchison Hain Organic Holdings Limited	The Hain Celestial Group, Inc.	US$5,000	50%
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited (國藥控股和記黃埔醫藥(上海)有限公司)	Sinopharm Group Co., Ltd. (國藥控股股份有限公司)	RMB31,150,000	49%
Hutchison BYS (Guangzhou) Holding Limited	Dian Son Development Limited	US$2,500	20%

4. Resolutions of the Shareholders Passed on April 28, 2021

Resolutions of the Company were passed by the then Shareholders at the annual general meeting of the Company held on April 28, 2021, pursuant to which, among other things:

(a) subject to paragraphs (a)(i) and (a)(ii) below and in accordance with the Articles, the exercise by the Board during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and otherwise deal with new Shares and to allot, issue or grant securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities, and to make or grant offers, agreements, options and warrants which would or might require the exercise of such powers was generally and unconditionally approved;

(i) the approval in paragraph (a) above shall not extend beyond the Relevant Period but shall authorize the Board during the Relevant Period to make or grant offers, agreements, options and warrants which would or might require the exercise of such powers after the end of the Relevant Period as if the powers granted pursuant to this resolution had not expired; and

(ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraph (a) above shall be:

I up to an aggregate nominal amount of US$24,270,741; and

II in connection with an offer of Equity Shares by way of a Rights Issue (as defined below) to the holders of Shares in the capital of the Company in proportion (as nearly as practicable) to the respective number of Shares held by them, subject to exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, up to a further aggregate nominal amount of US$24,270,741.

(b) pursuant to article 12(4) of the Articles and in substitution for all existing authorities under that article, the Board was generally empowered, in addition to any authorities granted under paragraph (c) below, to allot Equity Shares (within the meaning of article 12(4) of the Articles) during the Relevant Period (provided that the Board may during the Relevant Period make or grant offers, agreements, options and warrants which would or might require the exercise of such powers after the end of the Relevant Period as if the powers granted pursuant to the resolution set out in this paragraph (b) had not expired) for cash pursuant to all authorities conferred by the resolution set out in paragraph (a) above as if article 12(4) did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of Equity Shares in connection with an offer (whether by way of a Rights Issue (as defined below), open offer or otherwise) to the holders of Shares in the capital of the Company in proportion (as nearly as practicable) to the respective number of Shares held by them, subject to exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(ii) the allotment of Equity Shares for cash (otherwise than pursuant to paragraph (b)(i) above) up to an aggregate nominal amount of US$3,640,611.

(c) pursuant to article 12(4) of the Articles and in substitution for all existing authorities under that article, the Board was generally empowered, in addition to any authorities granted under the resolution set out in paragraph (b) above, to allot Equity Shares (within the meaning of article 12(4) of the Articles) during the Relevant Period (provided that the Board may during the Relevant Period make or grant offers, agreements, options and warrants which would or might require the exercise of such powers after the end of the Relevant Period as if the powers granted pursuant to the resolution set out in this paragraph (c) had not expired) for cash pursuant to all authorities conferred by the resolution set out in paragraph (a) above as if article 12(4) did not apply to any such allotment, provided that this power shall be limited to the allotment of Equity Shares for cash up to an aggregate nominal amount of US$10,921,833 in connection with an Equity Raise (as defined below).

(d) the exercise by the Board of all the powers of the Company to purchase or repurchase on AIM, a market regulated by the London Stock Exchange, and Nasdaq on which the securities of the Company are traded and recognized for this purpose, Shares (including any form of depositary interests or American depositary shares representing the right to receive such Shares issued by the Company) and the exercise by the Board of all powers of the Company to repurchase such securities, subject to and in accordance with all applicable laws and requirements, during the Relevant Period, were generally and unconditionally approved (save that the Company may enter into a contract to purchase Shares before the approval in this paragraph (d) expires under which such purchase will or may be completed or executed wholly or partly after the approval in this paragraph (d) expires and may make a purchase of Shares pursuant to any such contract as if the approval in this paragraph (d) had not expired), provided that:

(i) the aggregate nominal amount of the Shares which may be purchased or repurchased by the Company pursuant to the approval in this paragraph (d) shall not exceed five per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this paragraph (d), and the said approval shall be limited accordingly;

(ii) the minimum price (excluding expenses) which may be paid for a Share which may be purchased or repurchased by the Company pursuant to the approval in this paragraph (d) is US$0.1; and

(iii) the maximum price (excluding expenses) which may be paid for a Share which may be purchased or repurchased by the Company pursuant to the approval in this paragraph (d) is the higher of:

I an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the purchase or repurchase is made; and

II an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase or repurchase is carried out.

For the purpose of the above resolutions:

"**Equity Raise**" means the issuance of new Shares in connection with one or more potential offerings of Shares, or any securities or financial instruments representing such Shares, on any internationally recognized stock exchange;

"**Relevant Period**" means the period from the passing of the resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law, rules or regulations to be held;

(iii) the revocation or variation of the authority given under the resolution by an ordinary resolution or a special resolution in the case of resolutions in paragraphs (b) and (c) above of the Shareholders of the Company in a general meeting; and

(iv) the close of business on July 27, 2022; and

"**Rights Issue**" means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Board to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).

Upon the Listing, any exercise by the Company of the general mandates set out above will be subject to compliance with the Listing Rules (including the restrictions under Rule 13.36(2)(b) of the Listing Rules) and other laws, rules and regulations applicable to the Company.

5. Repurchases by the Company of its Own Securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchase of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases of shares by a listed company must be funded out of funds legally available for the purpose in accordance with the constitutive documents of the listed company, the Listing Rules and the applicable laws and regulations of the listed company's jurisdiction of incorporation. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be canceled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchase of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate price paid for such repurchases.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of the Shares will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

(d) General

At the annual general meeting of the Company held on April 28, 2021, Shareholders granted to the Board a mandate to purchase or repurchase Shares on AIM and Nasdaq only – see "*– 4. Resolutions of the Shareholders Passed on April 28, 2021*" above for further details.

The exercise in full of such repurchase mandate could result in up to 37,225,783 Shares being repurchased by the Company on AIM and/or Nasdaq but not on the Stock Exchange during the Relevant Period.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save for the foregoing, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the securities subscription agreement dated June 25, 2020 between the Company and General Atlantic Singapore HCM Pte. Ltd. pursuant to which General Atlantic Singapore HCM Pte. Ltd. agreed to subscribe for 18,700,000 Shares for an aggregate price of US$93,500,000, 1,300,000 Shares for an aggregate price of US$6,500,000 and a warrant to subscribe for up to an aggregate of 16,666,670 Shares, each with an exercise price of US$6.00 per Share;

(b) the ordinary shares subscription warrant (the "**Warrant**") dated July 2, 2020 between the Company and General Atlantic Singapore HCM Pte. Ltd. pursuant to which General Atlantic Singapore HCM Pte. Ltd. is entitled, upon the terms and subject to the limitations on exercise and the conditions set forth in the Warrant, at any time on or after the date of the Warrant and on or prior to the 5:00 p.m. Eastern time on January 3, 2022, to subscribe for 16,666,670 Shares (subject to adjustments) at US$6.00 per Share (subject to adjustment);

(c) the securities subscription agreement dated November 17, 2020 between the Company and Canada Pension Plan Investment Board pursuant to which Canada Pension Plan Investment Board agreed to subscribe for 16,666,670 Shares for an aggregate price of US$100,000,020;

(d) the securities subscription agreement dated April 8, 2021 between the Company and Pachytene Limited pursuant to which Pachytene Limited agreed to subscribe for 16,393,445 Shares for an aggregate price of US$100,000,014;

(e) the Hong Kong Underwriting Agreement;

(f) the cornerstone investment agreement dated June 16, 2021 and entered into among the Company, CA Fern Parent, Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited, a summary of which is set out in "*Cornerstone Investors*";

(g) the cornerstone investment agreement dated June 16, 2021 and entered into among the Company, Canada Pension Plan Investment Board, Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited, a summary of which is set out in "*Cornerstone Investors*";

(h) the cornerstone investment agreement dated June 16, 2021 and entered into among the Company, General Atlantic Singapore HCM Pte. Ltd., Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited, a summary of which is set out in "*Cornerstone Investors*";

(i) the cornerstone investment agreement dated June 16, 2021 and entered into among the Company, HBM Healthcare Investments (Cayman) Ltd., Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited, a summary of which is set out in "*Cornerstone Investors*"; and

(j) the cornerstone investment agreement dated June 16, 2021 and entered into among the Company, CICC Grandeur (Xiamen) Equity Investment Fund Partnership (L.P.), Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited, a summary of which is set out in "*Cornerstone Investors*".

2. Intellectual Property

See "*Business – Patents and Other Intellectual Property*" for details of intellectual property rights which are material to the Group's business.

C. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Interests of the Directors and Chief Executive of the Company

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Interests/Short Positions in the Shares

Name of Director or Chief Executive	Number of ordinary shares held	Number of American depositary shares held	Nature of Interest	Approximate Percentage
Christian Hogg	10,938,020	508,077[(2)]	Beneficial owner	1.59%
Johnny Cheng	2,561,460	142,881[(2)]	Beneficial owner	0.39%
Simon To	1,800,000[(1)]	133,237[(1)]	Beneficial owner and family interests	0.29%
Edith Shih	700,000	100,000	Beneficial owner	0.14%
Wei-guo Su	5,000,000[(2)]	292,529[(2)]	Beneficial owner	0.76%
Dan Eldar	19,000	11,390	Beneficial owner	0.01%
Tony Mok	–	12,399	Beneficial owner	0.01%
Paul Carter	35,240	2,037	Beneficial owner	0.01%
Karen Ferrante	–	8,182	Beneficial owner	0.00%
Graeme Jack	–	5,397[(3)]	Beneficial owner and interest of spouse	0.00%

Notes:

(1) Includes family interests in 780,000 ordinary shares and 133,237 American Depositary Shares.

(2) Includes Shares or ADSs issuable to Directors upon exercise of share options.

(3) Includes 2,397 ADSs held by Mr Jack and 3,000 ADSs held by Ms Debbie Sue Chung, the spouse of Mr Jack. Mr Jack is deemed to be interested in all the ADSs held by his spouse.

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the Global Offering, have an interest and/or short position (as applicable) in the Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

2. Particulars of Letters of Appointment

Each Director has entered into a letter of appointment in relation to his/her role as a director of the Company, which is subject to termination by the Director or the Company in accordance with the terms of the letter of appointment, the requirements of the Listing Rules and the provisions relating to the retirement and rotation of the Directors under the Articles of Association.

Pursuant to the terms of the letter of appointment entered into between each Director (on the one part) and the Company (on the other part), (a) the annual director's fees payable by the Company to each Executive and Non-Executive Director are US$70,000; (b) the annual director's fees payable by the Company to each Independent Non-Executive Director are US$76,000 (inclusive of attendance fees of US$6,000); (c) an additional annual senior independent director service fee payable by the Company to the Senior Independent Non-Executive Director is US$7,500; (d) a Director will receive from the Company an additional annual fee of US$21,000 (inclusive of US$6,000 attendance fees), US$12,000 (inclusive of US$2,000 attendance fees) or US$13,000 (inclusive of US$3,000 attendance fees) for being the chairman of the audit committee, the remuneration committee or the technical committee, respectively; and (e) a Director will receive an additional annual fee of US$13,500 (inclusive of US$6,000 attendance fees), US$7,000 (inclusive of US$2,000 attendance fees) and US$8,000 (inclusive of US$3,000 attendance fees) for being a member of the audit committee, the remuneration committee or the technical committee, respectively.

Each Director is entitled to be indemnified by the Company (to the extent permitted under the Articles of Association and applicable laws) and to be reimbursed by the Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

For details of the Directors' remuneration, see "*Directors and Senior Management – Directors' Remuneration and Remuneration of Five Highest Paid Individuals*."

4. Agency Fees or Commissions Received

The Underwriters will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in "*Underwriting – Commissions and Expenses*."

Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in "*Other Information – Qualifications and Consents of Experts*" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

5. Personal Guarantees

The Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to the Group.

6. Further Information on Certain Directors

From December 3, 1997 to January 11, 1998, Ms. Edith Shih was an alternate director to Mr. Fok Kin Ning, Canning, a non-executive director of Peregrine Investments Holdings Limited ("Peregrine"), an investment bank incorporated in Bermuda and registered under Part XI of the former Companies Ordinance (Cap. 32 of the Laws of Hong Kong). Peregrine commenced compulsory liquidation on March 18, 1998 and was finally dissolved on December 17, 2018. The total claim admitted by the liquidators of Peregrine amounted to HK$15,278 million. Ms. Shih had no involvement whatsoever in the management of Peregrine prior to, throughout or after her period of alternate directorship at Peregrine.

Mr. Paul Carter has been a director of Mallinckrodt plc, a company incorporated in Ireland and listed on the New York Stock Exchange, since May 2018. On October 12, 2020, Mallinckrodt plc and certain of its subsidiaries voluntarily initiated proceedings (the "**Chapter 11 Cases**") under chapter 11 of title 11 of the United States Code to modify its capital structure, including restructuring portions of its debt, and to resolve potential legal liabilities. In connection with the filing of the Chapter 11 Cases, Mallinkrodt plc entered into a restructuring support agreement with key creditors and litigation parties outlining the terms of a financial restructuring, which include reducing its debt by approximately US$1.3 billion.

7. Disclaimers

(a) None of the Directors nor any of the experts referred to in "– *Other Information – Qualifications and Consents of Experts*" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in "– *Other Information – Qualifications and Consents of Experts*" below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

(c) None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) Save as disclosed in "*Relationship with the CKHH Group*," neither the Controlling Shareholders nor the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

(f) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

D. EQUITY COMPENSATION SCHEMES

We have two share option schemes. The 2005 Hutchmed Option Scheme was adopted by our shareholder in June 2005, subsequently approved by the shareholders of HWL, our then majority shareholder, in May 2006, amended by our board of directors in March 2007, and expired in 2016. In April 2015, our shareholders adopted the 2015 Hutchmed Option Scheme, which was later approved by the shareholders of CK Hutchison, the ultimate parent of our majority shareholder, in May 2016, and further amended as approved by Shareholders at general meeting in April 2020. The LTIP was adopted by our shareholders in April 2015.

In addition, our subsidiary Hutchison MediPharma Holdings has adopted the 2014 Hutchison MediPharma Option Scheme in December 2014 upon approval by its shareholders.

Our Hutchmed Option Schemes, our LTIP and the 2014 Hutchison MediPharma Option Scheme each terminate on the tenth anniversary of their adoption. Each may also be terminated by its board of directors at any time. Any termination of the scheme is without prejudice to the awards outstanding at such time. Share options are no longer being granted under the 2005 Hutchmed Option Scheme, but outstanding share options continue to be governed by the terms thereof.

The following describes the material terms of the Schemes.

1. Purpose

The purpose of the Schemes is to provide our Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to eligible grantees (as described below).

2. Awards and Eligible Grantees

The Schemes provide for the award of share options exercisable for Shares (in the case of the Hutchmed Option Schemes) or ordinary shares of Hutchison MediPharma Holdings (in the case of the 2014 Hutchison MediPharma Option Scheme) to Eligible Employees (as defined in the Hutchmed Option Schemes) or non-executive directors (excluding any independent non-executive directors under the Hutchmed Option Schemes).

Under our LTIP, awards in the form of contingent rights to receive either shares or cash payments may be granted to the directors of our Company, directors of our subsidiaries and employees of our Company, subsidiaries, affiliates or such other companies as determined by our board of directors in its absolute discretion.

3. Scheme Administration

Our board of directors has delegated its authority for administering our Hutchmed Option Schemes and our LTIP to our remuneration committee. The board of directors of Hutchison MediPharma Holdings is responsible for administering the 2014 Hutchison MediPharma Option Scheme. Each such plan administrator has the authority to, among other things, select participants and determine the amount and terms and conditions of the awards under the applicable Schemes as it deems necessary and proper, subject to the restrictions described in "*– Restrictions on Grants*" below.

4. Restrictions on Grants

Under the Hutchmed Option Schemes, grants may not be made to independent non-executive directors. Furthermore, those grants may not be made to any of our employees or directors if such person is also a director, chief executive or substantial shareholder of any of our direct or indirect parent companies which is listed on a stock exchange (if any) or any of its associates without approval by the independent non-executive directors of such parent company (excluding any independent non-executive director who is a proposed grantee). In addition, approval by our shareholders and the shareholders of such listed parent company is required if an option grant under the Hutchmed Option Schemes is to be made to a substantial shareholder or independent non-executive director of a listed parent company or any of its associates and, upon exercise of such grant and any other grants made during the prior 12-month period to that shareholder, that individual would receive an amount of our ordinary shares equal or greater than 0.1% of our total outstanding shares or with an aggregate value in excess of HK$5 million (equivalent to US$0.6 million as of December 31, 2017). The 2014 Hutchison MediPharma Option Scheme does not contain these restrictions.

In addition, options under our Hutchmed Option Schemes and the 2014 Hutchison MediPharma Option Scheme may not be granted to any individual if, upon the exercise of such options, the individual would receive an amount of shares when aggregated with all other options granted to such individual under the applicable Scheme in the 12-month period up to and including the grant date, that exceeds 1% of the total shares outstanding of the company granting the award on such date. In the event a grant of share options would exceed 1% of the total number of issued shares of Hutchison MediPharma Holdings, our Company must also approve the grant. There are no individual limits under the LTIP.

Under our LTIP, no grant to any director, chief executive or substantial shareholder of our Company may be made without the prior approval of our independent non-executive directors (excluding an independent non-executive director who is a proposed grantee).

5. Vesting

Vesting conditions of options granted under the Hutchmed Option Schemes and the 2014 Hutchison MediPharma Option Scheme are determined by the respective board of directors at the time of grant. Any options granted are normally exercisable to the extent vested within the period specified by the applicable Scheme, which is typically four years after the date of grant. Any performance-related awards granted under the LTIP typically vest two years after the determination of the award.

Under the Hutchmed Option Schemes and the 2014 Hutchison MediPharma Option Scheme, if a participant has committed any misconduct or any conduct making such participant's service terminable for cause, all options (whether vested or unvested) lapse unless the respective board of directors otherwise determines in its absolute discretion. Options may

be exercised to the extent vested where a participant's service ceases due to the participant's death, serious illness, injury, disability, retirement at the applicable retirement age, or earlier if determined by the participant's employer, or if a participant's service ceases for any other reason other than for cause.

Under the LTIP, if a participant's employment or service with our Company or its subsidiaries is terminated for cause or if the participant breaches certain provisions in the LTIP restricting the transfer of awards by grantees and imposing non-competition obligations on grantees, all unvested awards are automatically cancelled. Where a participant's employment or service ceases for any reason other the reasons listed above (including due to the participant's resignation, retirement, death or disability or upon the non-renewal of such participant's employment or service agreement other than for cause), our board of directors may determine at its discretion whether unvested awards shall be deemed vested.

6. Exercise Price

The exercise price for each Share pursuant to the initial options granted under the 2005 Hutchmed Option Scheme was a price determined by our board of directors at the date of grant, and for grants made thereafter, the exercise price was the Market Value of a share at the date of grant (as defined in the Hutchmed Option Schemes).

The exercise price for each Share pursuant to the options granted under the 2015 Hutchmed Option Scheme must be the Market Value of a share at the date of grant (as defined in the Hutchmed Option Schemes). The exercise price for each share pursuant to options granted under the 2014 Hutchison MediPharma Option Scheme will be determined by the boards of directors of Hutchison MediPharma Holdings at the date of grant.

7. Non-transferability of Awards

Awards may not be transferred except in the case of a participant's death by the terms of each Scheme.

8. Takeover or Scheme of Arrangement

In the event of a general or partial offer for the shares of our Company (under the Hutchmed Option Schemes) or Hutchison MediPharma Holdings (under the 2014 Hutchison MediPharma Option Scheme), whether by way of takeover, offer, share repurchase offer, or scheme of arrangement, the affected company is required to use all reasonable endeavors to procure that such offer is extended to all holders of options granted by such company on the same terms as those applying to shareholders. Both vested and unvested options may be exercised up until (i) the closing date of any such offer, (ii) the record date for entitlements under a scheme of arrangement, or (iii) two business days prior to any general meeting of members convened to consider such offer (under the 2014 Hutchison MediPharma Option Scheme), and will lapse thereafter. Certain options may also be exercised on a voluntary winding up of our Company or Hutchison MediPharma Holdings, as the case may be.

Under our LTIP, in the event of a general offer for all the shares of our Company, whether by way of takeover or scheme of arrangement, or if our Company is to be voluntarily wound up, our board of directors shall determine in its discretion whether outstanding unvested awards will vest and the period within which such awards will vest.

9. Amendment

The Hutchmed Option Schemes require that amendments of a material nature only be made with the approval of our shareholders and approval of any of our direct or indirect parent companies which is listed on a stock exchange (if any). The 2014 Hutchison MediPharma Option Scheme may be altered by the board of directors of our Company or Hutchison MediPharma Holdings, as the case may be, but any amendments which provide a material advantage to grantees cannot take effect without shareholders' approval.

Our board of directors may alter the LTIP, but amendments which are of a material nature cannot take effect without shareholders' approval, unless the changes take effect automatically under the terms of the LTIP.

10. Authorized Shares

Subject to certain adjustments for share splits, share consolidations and other changes in capitalization, the maximum number of shares that may be issued upon exercise of all options granted may not in the aggregate exceed: (i) 5% of our shares outstanding on the date of adoption of the amended 2015 Hutchmed Option Scheme on 27 April 2020 or (ii) 5% of the shares of Hutchison MediPharma Holdings outstanding on the date of adoption under the 2014 Hutchison MediPharma Option Scheme. In addition, under our 2015 Hutchmed Option Scheme, our board of directors may, with the approval of (a) our shareholders and (b) the shareholders of any of our direct or indirect parent companies which is listed on a stock exchange (if any), "refresh" the 5% scheme limit provided that the total number of shares which may be issued upon exercise of all options to be granted under the Hutchmed Option Schemes shall not exceed 10% of our total shares outstanding on the date on which our shareholders approve the "refreshed" limit or (if later) the date on which shareholders of such parent company approve the "refreshed" limit (where applicable). Further, the maximum number of shares that may be issued upon exercise of all options granted and not yet exercised under the 2015 Hutchmed Option Scheme, when combined with options granted and not yet exercised under any other schemes of our Company or our subsidiaries must not exceed 10% of our shares outstanding on such date. The scheme limit was last refreshed in April 2020 as approved by Shareholders in general meeting.

Share awards under our LTIP may not exceed 5% of our shares outstanding on the adoption date of the LTIP.

11. Outstanding Awards

As of the Latest Practicable Date, options which were outstanding under the Hutchmed Option Schemes had been granted to (i) three Directors and connected persons and three senior managers and executives of the Group and (ii) 178 other employees of the Group to subscribe for or receive an aggregate of 13,081,245 and 23,139,445 Shares, representing, respectively, approximately 1.54% and 2.73% of the Shares in issue immediately following the Global Offering (without taking into account the Shares to be issued pursuant to the Over-allotment Option, the exercise of share options granted under the Hutchmed Option Schemes or the exercise of the Warrant after the Latest Practicable Date). The share options were granted for nil consideration.

As of the Latest Practicable Date, LTIP awards granted under our LTIP to ten Directors and three senior managers and executives representing a maximum cash amount for the LTIP period from 2019 to 2021 of US$5,141,450 and 269,866 ADSs were outstanding. Such awards give them a conditional right to receive ordinary shares or equivalent ADSs to be purchased by the third-party trustee up to such aggregate maximum cash amount.

Assuming the full exercise of the outstanding options under the Hutchmed Option Schemes, the shareholding of the Shareholders immediately following the completion of the Global Offering (before the exercise of any Over-allotment Option) would be diluted by approximately 4.09%. Basic earnings/(losses) per share is calculated by dividing the net income/(losses) attributable to the Company by the weighted average number of outstanding ordinary shares in issue during the year, and diluted earnings/(losses) per share is calculated by dividing the net income/(losses) attributable to the Company by the average number of outstanding ordinary shares in issue and dilutive ordinary share equivalents outstanding during the year. As the Company had a net loss attributable to the Company of US$125.7 million for the year ended December 31, 2020, taking the share options granted under the Hutchmed Option Schemes into account in the calculation of diluted losses per share will have an anti-dilutive effect (i.e. the (losses) per share will decrease) on the earnings/(losses) per share.

The Company has applied for, and has been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up And Miscellaneous Provisions) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the options granted under the Hutchmed Option Schemes. For further details, see "*Waivers and Exemption – Waiver in relation to disclosure requirements on equity compensation schemes*."

Details of the options and share awards granted pursuant to the Hutchmed Option Schemes as of the Latest Practicable Date are set out below:

Share Options

Grantee	Address	Number of Shares under Options Granted and Outstanding	Exercise Price	Exercise Period	Approximate percentage of issued shares immediately after completion of the Global Offering
Grantees who are Directors					
Christian Hogg	No. 18 Headland Drive, Discovery Bay, Hong Kong	1,291,700[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.15%
		39,610[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.00%
		868,900[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.10%
Johnny Cheng	48 La Salle Road, Kowloon Tong, Hong Kong	401,900[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.05%
		240,500[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.03%
Wei-guo Su	358 Hong Feng Road, 8-1002, Pudong, Shanghai, China	3,000,000[1]	GBP1.970	15.06.2016 to 19.12.2023	0.35%
		1,000,000[1]	GBP3.105	27.03.2017 to 26.03.2027	0.12%
		1,000,000[1]	GBP4.974	19.03.2018 to 18.03.2028	0.12%
		789,700[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.09%
		18,960[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.00%
		282,400[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.03%
		Sub-total: 8,933,670			**Sub-total: 1.05%**
Grantees who are members of the senior management of the Group					
May Wang	Block 447, 418 East Jinxiu Road, Pudong, Shanghai, China	1,000,000[1]	GBP1.970	15.06.2016 to 19.12.2023	0.12%
		343,500[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.04%
		12,640[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.00%
		107,300[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.01%
Zhenping Wu	Room 202, Block 12, No. 777 Meihua Road, Pudong, Shanghai, China	1,000,000[1]	GBP1.970	15.06.2016 to 19.12.2023	0.12%
		274,200[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.03%
		18,960[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.00%
		118,200[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.01%
Mark Lee	Flat C1, 8/F, Kingsford Gardens, 210 Tin Hau Temple Road, North Point, Hong Kong	936,860[1]	GBP1.970	15.06.2016 to 19.12.2023	0.11%
		240,000[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.03%
		11,315[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.00%
		84,600[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.01%
		Sub-total: 4,147,575			**Sub-total: 0.49%**

As of the Latest Practicable Date, there are (i) 10 grantees who have been granted options to subscribe for 400,000 or more Shares and (ii) 168 grantees who have been granted options to subscribe for less than 400,000 Shares. Details of the options granted are:

Grantee	Number of Shares under Options Granted and Outstanding	Exercise Price	Exercise Period	Approximate percentage of issued shares immediately after completion of the Global Offering
Other grantees				
Grantees who are entitled to subscribe for 400,000 or more Shares				
	2,522,250[1]	GBP4.645	20.04.2018 to 19.04.2028	0.30%
	375,000[1]	GBP4.860	06.08.2018 to 05.08.2028	0.04%
	400,000[1]	GBP3.592	11.12.2019 to 10.12.2029	0.05%
	1,753,000[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.21%
	39,095[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.00%
	1,585,200[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.19%
	434,170[2]	GBP0.610	20.12.2013 to 19.12.2023	0.05%
	Sub-total: 7,108,715			**Sub-total: 0.84%**
Grantees who are entitled to subscribe for less than 400,000 Shares				
	2,012,970[1]	GBP4.645	20.04.2018 to 19.04.2028	0.24%
	162,450[1]	GBP4.166	06.06.2018 to 05.06.2028	0.02%
	255,000[1]	GBP4.860	06.08.2018 to 05.08.2028	0.03%
	255,000[1]	GBP4.610	19.10.2018 to 18.10.2028	0.03%
	100,000[1]	GBP4.220	21.05.2019 to 20.05.2029	0.01%
	1,290,000[1]	GBP2.978	09.10.2019 to 08.10.2029	0.15%
	775,000[1]	GBP3.340	20.04.2020 to 19.04.2030	0.09%
	4,412,700[1]	US$22.090[3]	28.04.2020 to 27.04.2030	0.52%
	545,000[1]	US$32.820[3]	11.08.2020 to 10.08.2030	0.06%
	1,245,000[1]	US$29.000[3]	14.12.2020 to 13.12.2030	0.15%
	4,695,600[1]	US$27.940[3]	26.03.2021 to 25.03.2031	0.55%
	282,010[2]	GBP0.610	20.12.2013 to 19.12.2023	0.03%
	Sub-total: 16,030,730			**Sub-total: 1.89%**
	Sub-total of all other grantees: 23,139,445			**Sub-total of all other grantees: 2.73%**
	Total: 36,220,690			**Total: 4.27%**

Notes:

(1) Share options granted under the 2015 Hutchmed Option Scheme.

(2) Share options granted under the 2005 Hutchmed Option Scheme.

(3) Exercise price expressed per ADS. One ADS equates to five Shares.

LTIP Awards Granted to Directors

The LTIP awards granted to Directors during 2019 to 2021 (up to the Latest Practicable Date) which were outstanding as of the Latest Practicable Date were:

	2019 to 2020		2021
Grantee	**ADSs**	**LTIP Amount**	**Maximum LTIP Amount**
Christian Hogg	67,368	–	US$1,616,538
Johnny Cheng	27,151	–	US$657,211
Wei-guo Su	69,201	–	US$1,622,123
Simon To	7,191	–	–
Dan Eldar	7,191	–	–
Edith Shih	7,191	–	–
Paul Carter	6,112	US$22,500	–
Karen Ferrante	7,191	–	–
Graeme Jack	7,191	–	–
Tony Mok	7,191	–	–
Total:	212,978	US$22,500	US$3,895,872

Notes:

(1) Similar to the arrangement for his Director's fees, these ADSs are not received by Mr Simon To, but are received by or for the account of his employer, Hutchison Whampoa (China) Limited.

(2) Similar to the arrangement for her Director's fees, these ADSs are not received by Ms Edith Shih, but are received by or for the account of her employer, Hutchison International Limited.

12. Waiver and Exemption

The Company has applied for, and been granted, (a) a waiver from strict compliance with Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and (b) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance in relation to the disclosure of the details of certain grantees of awards under the Hutchmed Option Schemes. See "*Waivers and Exemption*" for details.

E. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong and the Cayman Islands.

2. The Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US$1.5 million for acting as the sponsors for the Listing.

3. Registration Procedures

The principal register of members of the Company will be maintained in the Cayman Islands by Computershare Investor Services (Jersey) Limited and a Hong Kong register of members of the Company will be maintained in Hong Kong by the Hong Kong Share Registrar. For the purposes of trading on the Stock Exchange, the Shares must be registered in the Hong Kong share register. See "*Listing, Registration, Dealings and Settlement – Transfer of Shares Admitted to Trading on AIM to Hong Kong Share Register*" for details on the removal of shares from each share register.

4. Preliminary Expenses

The total preliminary expenses of the Company were less than US$10,000 and were paid by the Company.

5. Promoter

The Company has no promoter. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
Morgan Stanley Asia Limited	A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined under the SFO)
Jefferies Hong Kong Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountants, PRC
King & Wood Mallesons	PRC attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Conyers Dill & Pearman, PricewaterhouseCoopers, PricewaterhouseCoopers Zhong Tian LLP, King & Wood Mallesons and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

7. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Miscellaneous

(a) Save as disclosed in "*History and Corporate Structure*," "*Share Capital*," "*Structure of the Global Offering*" and this Appendix VI, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) Save as disclosed in this Appendix VI, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) Other than the ADSs which are currently listed on and dealt in Nasdaq and the Shares which are currently admitted to trading on AIM, none of the equity and debt securities of the Company or any company within the Group is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) None of Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Conyers Dill & Pearman, PricewaterhouseCoopers, PricewaterhouseCoopers Zhong Tian LLP, King & Wood Mallesons and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.

(g) The English text of this prospectus and the **GREEN** Application Form shall prevail over their respective Chinese text.

(h) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) a copy of each of the material contracts referred to in "*Appendix VI – Statutory and General Information*;" and

(c) the written consents referred to in "*Appendix VI – Statutory and General Information*."

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of the Company;

(b) the Accountant's Report and the report on the unaudited pro forma financial information issued by PricewaterhouseCoopers, the texts of which are set out in "*Appendix I – Accountant's Report" and "Appendix IIA – Unaudited Pro Forma Financial Information*," respectively;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2018, 2019 and 2020;

(d) the report on review of interim financial information of the Group from PricewaterhouseCoopers, the text of which is set out in *"Appendix IIB – Unaudited First Quarter 2021 Financial Information*;"

(e) the audited consolidated income statement data for the years ended December 31, 2020, 2019 and 2018 and the audited consolidated statements of financial position data as of December 31, 2020 and 2019 of each of the Company's non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals Limited and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited issued by PricewaterhouseCoopers Zhong Tian LLP and the audited consolidated income statement data for the period ended December 9, 2019 and for the year ended December 31, 2018 and the audited consolidated statement of financial position data

as of December 9, 2019 of Nutrition Science Partners Limited issued by PricewaterhouseCoopers contained in "*Appendix III – Supplementary Financial Information of the Joint Ventures*;"

(f) the letter from Conyers Dill & Pearman, the Company's Cayman Islands legal advisor, summarizing certain aspects of Cayman Companies Law referred to in "*Appendix V – Summary of the Constitution of the Company and Cayman Companies Law*;"

(g) the legal opinion issued by King & Wood Mallesons, the Company's PRC legal advisor, in respect of certain aspects of the Company;

(h) the Cayman Companies Law;

(i) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. referred to in the section headed "*Industry Overview*" in this prospectus;

(j) the letters of appointment referred to in "*Appendix VI – Statutory and General Information – Further Information about the Directors – Particulars of Letters of Appointment*;"

(k) the material contracts referred to in "*Appendix VI – Statutory and General Information – Further Information about the Business – Summary of Material Contracts*;"

(l) the written consents referred to in "*Appendix VI – Statutory and General Information – Other Information – Qualifications and Consents of Experts*;"

(m) the rules of the Schemes; and

(n) the full list of all grantees of awards under the Schemes containing all the particulars required by Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

"2005 Hutchmed Option Scheme"	the share option scheme adopted by the Shareholders in June 2005, subsequently approved by the shareholders of Hutchison Whampoa Limited, our then majority shareholder, in May 2006, amended by our board of directors in March 2007, and expired in 2016, the principal terms of which are summarized in "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*"
"2014 Hutchison MediPharma Option Scheme"	the share option scheme adopted by the shareholders of Hutchison MediPharma Holdings, a subsidiary of the Company, in December 2014, the principal terms of which are summarized in "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*"
"2015 Hutchmed Option Scheme"	the share option scheme adopted by the Shareholders in April 2015 and approved by the shareholders of CK Hutchison in May 2016, the principal terms of which are summarized in "*Appendix VI – Statutory and General Information – Equity Compensation Schemes*"
"Accountant's Report"	accountant's report for the years ended December 31, 2018, 2019 and 2020 in Appendix I to this prospectus
"ADSs"	American depositary shares of the Company, each of which represents five ordinary Shares (prior to the Share Split, each ADS represented one half of one Share)
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company (as amended from time to time), conditionally adopted on May 29, 2019 and which will become effective upon Listing, a summary of which is set out in "*Appendix V – Summary of the Constitution of the Company and Cayman Companies Law*"

"AstraZeneca"	AstraZeneca PLC (including its subsidiary AstraZeneca AB (publ)), a global, science-led biopharmaceutical business
"Baring"	Pachytene Limited
"BeiGene"	BeiGene Ltd.
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"Cayman Companies Law"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Account"	a securities account maintained by a CCASS Participant with CCASS
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China's State Administration of Taxation" or "SAT"	administration department of China responsible for the collection of taxes and the enforcement of state revenue laws
"CK Hutchison"	CK Hutchison Holdings Limited (長江和記實業有限公司), an exempted company incorporated in the Cayman Islands on December 11, 2014 with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1), and where the context requires, refers to HWL (which became a wholly-owned subsidiary of CK Hutchison on June 3, 2015) prior to June 3, 2015
"CKHGI"	CK Hutchison Global Investments Limited, the Company's intermediate holding company and a direct wholly-owned subsidiary of CK Hutchison
"CKHH Group"	CK Hutchison and its subsidiaries

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance", "Companies (WUMP) Ordinance" or "C(WUMP)O"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	HUTCHMED (China) Limited 和黃醫藥（中國）有限公司, a company incorporated under the laws of the Cayman Islands with limited liability on December 18, 2000 and formerly known as Hutchison China MediTech Limited 和黃中國醫藥科技有限公司
"Controlling Shareholders"	has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to CK Hutchison, CKHGI, HWCL and HHHL
"CPP Investments"	Canada Pension Plan Investment Board
"CREST"	the computerized system for the transfer of uncertificated securities 82 operated by Euroclear UK & Ireland Limited (under Uncertificated Securities Regulations 2001 in the United Kingdom)
"CSRC"	the China Securities Regulatory Commission
"De Facto Management Bodies"	management body that exercises overall or substantial management and control over the business, personnel, accounting and assets of an enterprise according to the relevant rules under the Chinese EIT Law
"Director(s)"	the director(s) of the Company
"Eli Lilly"	Lilly (Shanghai) Management Company Limited (formerly known as Eli Lilly Trading (Shanghai) Company Limited)
"Enterprise Income Tax" or "EIT"	enterprise income tax at the standard tax rate of 25% on taxable profits as reduced by available losses in the PRC
"EU Market Abuse Regulation"	Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse

"Exempt Offering"	see below under "International Offering"
"Exempt Offering Underwriting Agreement"	the underwriting agreement relating to the Exempt Offering to be entered into among the Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date with respect to the cornerstone investors, as further described in "*Underwriting*"
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"F&S Report"	an industry report prepared by Frost & Sullivan and commissioned by the Company on the worldwide and China oncology and pharmaceutical markets
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant
"FY" or "financial year"	financial year ended or ending December 31
"General Atlantic"	General Atlantic Singapore HCM Pte. Ltd.
"Genor"	Genor Biopharma Co. Ltd.
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "we," "our" or "us"	the Company and its subsidiaries
"Guangzhou Baiyunshan"	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, a leading China-based pharmaceutical company listed on the Shanghai Stock Exchange and the Stock Exchange
"Hain Celestial"	The Hain Celestial Group, Inc.
"Hanzhong"	Taizhou Hanzhong Pharmaceuticals, Inc.

"HHHL"	Hutchison Healthcare Holdings Limited, the Company's intermediate holding company and an indirect wholly-owned subsidiary of CK Hutchison
"HIBOR"	Hong Kong Interbank Offered Rate
"High and New Technology Enterprise" or "HNTE"	tax status under PRC tax law that allows a relevant enterprise to enjoy a reduced Enterprise Income Tax at 15% of its taxable profits
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 13,000,000 Shares initially being offered by the Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in "*Structure of the Global Offering*")
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Green Application Form, as further described in "*Structure of the Global Offering*"
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters listed in "*Underwriting – Hong Kong Underwriters,*" being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 17, 2021 relating to the Hong Kong Public Offering entered into among the Company, Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited and the Hong Kong Underwriters, as further described in "*Underwriting*"

"Hutchison Baiyunshan"	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited, the Company's non-consolidated joint venture with Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, in which the Company holds 50% through an 80% owned subsidiary. Unless the context otherwise requires, references to Hutchison Baiyunshan in this prospectus mean Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited and its subsidiaries
"Hutchison Consumer Products"	Hutchison Consumer Products Limited, the Company's wholly-owned subsidiary
"Hutchison Hain Organic"	Hutchison Hain Organic Holdings Limited, the Company's joint venture with Hain Celestial
"Hutchison Healthcare"	Hutchison Healthcare Limited, the Company's wholly-owned subsidiary
"Hutchison MediPharma" or "HMPL"	Hutchison MediPharma Limited, a PRC subsidiary of the Company
"Hutchison MediPharma Holdings" or "HMHL"	Hutchison MediPharma Holdings Limited, a subsidiary of the Company
"Hutchison Sinopharm"	Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited, the Company's joint venture with Sinopharm in which the Company has a 51% interest
"Hutchmed Option Schemes"	the 2005 Hutchmed Option Scheme and 2015 Hutchmed Option Scheme
"HWCL"	Hutchison Whampoa (China) Limited, a subsidiary of CK Hutchison and a Controlling Shareholder
"HWL"	Hutchison Whampoa Limited, a subsidiary of CK Hutchison
"IFRS"	International Financial Reporting Standards
"independent third-party"	any person or entity who is not connected (within the meaning of the Listing Rules) with the Company, so far as the Directors are aware after having made reasonable enquiries

"Inmagene"	Inmagene Biopharmaceuticals
"Innovent"	Innovent Biologics (Suzhou) Co. Ltd.
"International Offer Shares"	the Shares initially being offered by the Company pursuant to the International Offering (subject to reallocation as described in "*Structure of the Global Offering*") together with, where relevant, up to an additional 15,600,000 Shares which may be issued by the Company pursuant to any exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares at the Offer Price (i) pursuant to the shelf registration statement on Form F-3ASR that was filed with the SEC and became effective on April 6, 2020 (the "**Registered Offering**"), and (ii) in respect of Shares sold to cornerstone investors, in reliance on Rule 901 of Regulation S under the U.S. Securities Act or pursuant to another exemption from the registration requirements of the U.S. Securities Act (the "**Exempt Offering**"), in each case on and subject to the terms and conditions of the International Underwriting Agreements, as further described in "*Structure of the Global Offering*"
"International Underwriters"	the underwriters named in the International Underwriting Agreements, being the underwriters of the International Offering
"International Underwriting Agreements"	(i) the U.S. Underwriting Agreement relating to the Registered Offering; and (ii) the Exempt Offering Underwriting Agreement relating to the Exempt Offering as further described in "*Underwriting*"
"Joint Bookrunners"	Morgan Stanley Asia Limited (*in relation to the Hong Kong Public Offering only*), Morgan Stanley & Co. International plc (*in relation to the International Offering only*), Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Macquarie Capital Limited, Deutsche Bank AG, Hong Kong Branch, BOCI Asia Limited, CMB International Capital Limited and China Merchants Securities (HK) Co., Limited

"Joint Global Coordinators"	Morgan Stanley Asia Limited, Jefferies Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited
"Joint Sponsors"	Morgan Stanley Asia Limited, Jefferies Hong Kong Limited and China International Capital Corporation Hong Kong Securities Limited
"Junshi"	Shanghai Junshi Biosciences Co. Ltd.
"Latest Practicable Date"	June 8, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, June 30, 2021, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"London Stock Exchange"	London Stock Exchange plc
"LTIP"	the long-term incentive scheme adopted by the Shareholders in April 2015
"Luye HK"	Luye Pharma Hong Kong Ltd.
"Maximum Offer Price"	HK$45.00 per Offer Share, being the maximum subscription price per Offer Share

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company conditionally adopted by a special resolution on May 29, 2019 and which will become effective upon Listing, as amended from time to time, a summary of which is set out in "*Appendix V – Summary of the Constitution of the Company and Cayman Companies Law*"
"Memorandum and Articles of Association"	the Memorandum and the Articles
"Ministry of Commerce" or "MOFCOM"	the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部), an executive agency of the State Council of the PRC
"Ministry of Human Resources and Social Security" or "MoHRSS"	PRC ministry under the State Council responsible for national labor policies, standards, regulations and managing the national social security
"Nasdaq"	Nasdaq Global Select Market
"Nasdaq Rules"	the by-laws and rules of the Nasdaq Stock Market
"National Development and Reform Commission" or "NDRC"	agency in charge of China's macroeconomic planning, responsible for formulating and implementing strategies for national economic and social development and coordinating major economic operations
"Nutrition Science Partners"	Nutrition Science Partners Limited, the Company's wholly-owned subsidiary
"NMPA"	China's National Medical Products Administration
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), such price to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by the Company pursuant to any exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by the Company under the U.S. Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Company may be required to issue up to an additional 15,600,000 Shares (representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering, if any, as further described in "*Structure of the Global Offering*"
"PCAOB"	the Public Company Accounting Oversight Board (United States)
"PRC" or "China"	the People's Republic of China, but for the purposes of this prospectus only, except where the context requires, references in this prospectus to PRC or China exclude Hong Kong, Macau and Taiwan
"PRC State Administration of Foreign Exchange" or "SAFE"	responsible for strengthening the management of foreign exchange, maintaining the balance of international payments and implementing the system for compiling statistics and reports on international payments
"Price Determination Date"	the date, expected to be on or about Wednesday, June 23, 2021, on which the Offer Price will be determined and, in any event, not later than Tuesday, June 29, 2021
"Registered Offering"	see above under "International Offering"
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, the Controlling Shareholders, any of their or the Company's respective directors, officers, agents, or representatives or advisors or any other person involved in the Global Offering
"RMB"	renminbi, the lawful currency of the PRC
"Schemes"	the 2005 Hutchmed Option Scheme, the 2015 Hutchmed Option Scheme, the LTIP and the 2014 Hutchison MediPharma Option Scheme

"SEC"	The Securities and Exchange Commission of the United States
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Hutchison Pharmaceuticals"	Shanghai Hutchison Pharmaceuticals Limited, the Company's non-consolidated joint venture with Shanghai Pharmaceuticals in which the Company has a 50% interest. Unless the context otherwise requires, references to Shanghai Hutchison Pharmaceuticals in this prospectus mean Shanghai Hutchison Pharmaceuticals Limited and its subsidiaries
"Shanghai Pharmaceuticals"	Shanghai Traditional Chinese Medicine Co., Ltd., a subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd., which is a leading pharmaceutical company in China listed on the Shanghai Stock Exchange and the Stock Exchange
"Share Split"	the subdivision of each Share of par value US$1.00 each into 10 Shares of US$0.10 each
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares with par value US$0.10 each in the share capital of the Company
"Sinopharm"	Sinopharm Group Co. Ltd., a leading distributor of pharmaceutical and healthcare products and a leading supply chain service provider in China
"Stabilizing Manager"	Morgan Stanley Asia Limited
"STAR Listing"	a potential listing of the Company on the STAR Market
"STAR Listing Application Steps"	the indicative steps to be taken by the Company in connection with a potential listing of the Company on the Shanghai Stock Exchange Science and Technology Innovation Board, as further described in "*Waivers and Exemption – Waiver in relation to restriction on further issue of Shares by the Company*"

"STAR Market"	Shanghai Stock Exchange Science and Technology Innovation Board
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between Morgan Stanley & Co. International plc and HHHL
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Track Record Period"	the three financial years ended December 31, 2020
"U.K."	the United Kingdom
"UK MAR"	the EU Market Abuse Regulation (as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018)
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreements
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. GAAP"	United States generally accepted accounting principles
"US$" or "U.S. dollar"	U.S. Dollars, the lawful currency of the U.S.
"U.S. Exchange Act"	the United States Exchange Act of 1934, as amended
"U.S. Person"	a person meeting the definition as such under Rule 902(k)(1) of Regulation S
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"U.S. Underwriting Agreement"	the underwriting agreement relating to the Registered Offering to be entered into among the Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in "*Underwriting*"

"Warrant"	the ordinary shares subscription warrant entered into between the Company and General Atlantic on July 2, 2020, which upon exercise entitles General Atlantic to subscribe for 16,666,670 Shares at an exercise price of US$6.00 per Share for the exercise period until 5pm EST January 3, 2022
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited

In this prospectus, unless the context otherwise requires, the terms "**associate**," "**close associate**," "**connected person**," "**core connected person**," "**connected transaction**," "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules.

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

Our reporting currency is the U.S. dollar. In addition, this prospectus also contains translations of certain foreign currency amounts into U.S. dollars for illustrative purposes only. Unless otherwise stated, all translations of pound sterling into U.S. dollars were made at £1.00 to US$1.35, all translations of RMB into U.S. dollars were made at RMB6.55 to US$1.00 and all translations of Hong Kong dollars into U.S. dollars were made at HK$7.80 to US$1.00, which are the exchange rates used in our audited consolidated financial statements as of December 31, 2020. We make no representation that the pound sterling, RMB, Hong Kong dollar or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars, pounds sterling, RMB or Hong Kong dollars, as the case may be, at any particular rate or at all.

Unless otherwise specified, all references to any shareholdings in the Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised and does not take into account the Shares to be issued by the Company pursuant to the share options granted under the Hutchmed Option Schemes or the exercise of the Warrant after the Latest Practicable Date.

Unless otherwise indicated, all disease incidence, disease prevalence and market size estimates contained in this prospectus were provided by Frost & Sullivan.

We own or have been licensed rights to trademarks, service marks and trade names for use in connection with the operation of our business, including, but not limited to, our trademark HUTCHMED. All other trademarks, service marks or trade names appearing in this prospectus that are not identified as marks owned by us are the property of their respective owners. Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus are listed without the ®, (TM) and (sm) symbols, but we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"1L" or "first line"	initial treatment of a given type and stage of cancer
"2L" or "second line"	second-line treatment given when the first-line therapy is not effective or stops being effective
"3L" or "third line"	third-line treatment given when the first-line and second-line therapies are not effective or stop being effective
"4L" or "fourth line"	fourth-line treatment given when the first-line, second-line and third-line therapies are not effective or stop being effective
"95% CI" or "95% confidence interval"	means that there is a 95% chance that the results will be within a stated range
"Adoptive T cell therapy"	type of immunotherapy that isolates specific T cells which are then infused into patients to attack and kill cancer
"AKT"	protein kinase B, a serine/threonine-specific protein kinase that plays a key role in multiple cellular processes such as glucose metabolism, apoptosis, cell proliferation, transcription and cell migration
"ALK inhibitor"	potential anti-cancer drugs that act on tumors with variations of anaplastic lymphoma kinase (ALK)
"angiogenesis"	formation of excessive vasculature
"anti-PD-L1"	antibodies that block the PD-L1 checkpoint
"antigen"	toxin or other foreign substance which induces an immune response in the body, especially the production of antibodies
"ASCO"	American Society of Clinical Oncology
"ASCO GU 2019"	American Society of Clinical Oncology's 2019 Genitourinary Cancers Symposium

"ASCO 2021"	American Society of Clinical Oncology's 2021 Annual Meeting
"B-cell"	also known as B lymphocytes, a type of white blood cell of the lymphocyte subtype that differs from other types of lymphocyte by expressing B-cell receptors on its surface, and responsible for producing antibodies
"Banlangen"	over-the-counter drug for the treatment of viral flu, fever, and respiratory tract infections
"BCR"	B-cell receptor
"biomarker"	naturally occurring molecule, gene, or characteristic by which a particular pathological or physiological process or disease can be identified
"biotech"	biotechnology
"Bisoprolol fumarate"	beta-1 receptor blocker to treat hypertension
"Breakthrough Therapy"	FDA designation process designed to expedite the development and review of drug candidates that are intended, alone or in combination with one or more other drugs, to treat a serious or life threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development
"BSC"	best supportive care
"BTC"	biliary tract cancer
"BTK"	Bruton's tyrosine kinase; a key component of the BCR signaling pathway and is an important regulator of cell proliferation and cell survival in various lymphomas
"CAGR"	compound annual growth rate

"CALYPSO study"	name given to Phase Ib and Phase II multi-arm studies of savolitinib and Imfinzi, including in combination in treating papillary renal cell carcinoma and clear cell renal cell carcinoma patients
"CAR-T"	chimeric antigen receptor T cells; T cells that have been genetically engineered to produce an artificial T cell receptor
"cGMP"	current good manufacturing practice requirements enforced by the FDA
"CHMP"	Committee for Medicinal Products for Human Use
"combination therapy"	treatment in which a patient is given two or more drugs to treat a single disease
"complete response"	disappearance of all signs of cancer
"Concor"	trade name for bisoprolol tablets in China
"CONCUR study"	name given to a Phase III study of Stivarga monotherapy in colorectal cancer in Asian patients
"corticosteroids"	class of steroid hormones that are produced in the adrenal cortex of vertebrates, as well as the synthetic analogues of these hormones
"COVID-19"	SARS-CoV-2 or COVID-19, and any evolutions thereof or related or associated epidemics, pandemics or diseases outbreaks
"CRC"	colorectal cancer
"CROs"	contract research organizations
"CR rate"	complete response rate
"CSF-1"	colony stimulating factor-1
"CSF-1R"	colony stimulating factor-1 receptor
"CTC" or "CTCAE"	National Cancer Institute's Common Terminology Criteria for Adverse Events

"cytokines"	category of small proteins that are important in cell signaling and used in immunotherapy
"Danning tablets"	drug for the treatment for liver and gallbladder diseases which is owned by Shanghai Hutchison Pharmaceuticals
"Data Safety Monitoring Board"	an independent group of experts monitoring patient safety and treatment efficacy data while a clinical trial is ongoing
"disease control rate" or "DCR"	percentage of patients who have achieved complete response, partial response and stable disease
"DoR"	duration of response
"EC_{50}"	concentration of a drug that gives 50% of maximal response
"EC_{80}"	concentration of a drug that gives 80% of maximal response
"ECOG"	Eastern Cooperative Oncology Group
"EGFR"	epidermal growth factor receptor, targeted by epitinib
"EGFRm"	EGFR mutation
"EGFRm+"	EGFR mutation positive
"EGFRwt"	EGFR wild type, targeted by theliatinib
"Elunate"	brand name for fruquintinib capsules
"EMA"	European Medicines Agency
"Entospletinib"	Syk inhibitor developed by Gilead (now under the ownership of Kronos Bio), a medication in clinical development for treatment of acute myeloid leukemia with NMP1 or FLT3 mutations
"epitinib"	potent and highly selective oral EGFR inhibitor designed to optimize brain penetration
"ERK"	extracellular signal-regulated kinase

"FALUCA study"	name given to a Phase III study of fruquintinib monotherapy in third line non-small cell lung cancer
"FDA" or "U.S. Food and Drug Administration"	federal agency of the U.S. Department of Health and Human Services, one of the U.S. federal executive departments
"FGF"	fibroblast growth factor
"FGFR"	fibroblast growth factor receptor
"FGFR1"	fibroblast growth factor receptor 1, targeted by surufatinib along with VEGFR 1/2/3 and CSF-1R
"FGFR 1, 2 and 3"	fibroblast growth factor receptors 1, 2 and 3, targeted by HMPL-453
"FLAURA study"	name given to a Phase III trial that assessed the efficacy and safety of osimertinib in patients with previously untreated EGFR mutation-positive advanced NSCLC as compared with the standard EGFR-TKIs, gefitinib or erlotinib
"FRESCO study"	name given to a Phase III study of fruquintinib monotherapy in third-line colorectal cancer
"FRESCO-2 study"	name given to a Phase III study of fruquintinib monotherapy in metastatic colorectal cancer
"fruquintinib"	drug discovered by the Group that targets vascular endothelial growth factor receptors, VEGFR 1, 2 and 3
"FRUTIGA study"	name given to a Phase III study of fruquintinib in combination with Taxol in gastric cancer (second-line)
"Fu Fang Dan Shen"	over-the-counter drug for the treatment of chest congestion and angina pectoris to promote blood circulation and relieve pain
"gene amplification"	increase in the number of copies of a gene without a proportional increase in other genes
"gene mutation"	permanent alteration in the DNA sequence that makes up a gene

"General Office of the State Council"	administrative agency of the State Council of the PRC (中華人民共和國國務院辦公廳)
"good agriculture practice" or "GAP"	guidelines and regulations in China as part of quality assurance in the growing of herbs for the production of botanically derived treatments
"good manufacturing practice" or "GMP"	guidelines and regulations issued pursuant to the PRC Drug Administration Law as part of quality assurance in the manufacture process of pharmaceutical products and on conformity of such products to quality and standards appropriate for their intended use
"good clinical practice" or "GCP"	international ethical, scientific and practical standards to which all clinical research is conducted
"good supply practice" or "GSP"	guidelines and regulations issued from time to time pursuant to the PRC Drug Administration Law to provide quality assurance and ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with the guidelines and regulations
"hazard ratio"	probability of an event occurring in the treatment arm of a clinical trial divided by the probability of an event occurring in the control arm of a clinical trial, with a ratio of less than one indicating a lower probability of an event occurring for patients in the treatment arm
"HCC"	hepatocellular carcinoma
"HGF"	hepatocyte growth factor
"HGFR"	hepatocyte growth factor receptor, also known as MET
"HMPL-A83"	drug candidate discovered by the Group that targets solid tumors and hematological malignancies
"HMPL-295"	drug candidate discovered by the Group that targets the MAPK pathway
"HMPL-306"	drug candidate discovered by the Group that targets hematological malignancies, gliomas and solid tumors

"HMPL-453"	drug candidate discovered by the Group that targets FGFR 1, 2 and 3
"HMPL-523"	drug candidate discovered by the Group that targets the spleen tyrosine kinase
"HMPL-653"	drug candidate discovered by the Group that targets solid tumors
"HMPL-689"	drug candidate discovered by the Group that targets phosphoinositide-3-kinase delta, or PI3Kδ
"HMPL-760"	drug candidate discovered by the Group that targets hematological malignancies
"HR"	hazard ratio
"HX008"	PD-1 monoclonal antibody being developed by Hanzhong
"hypomethylating agent"	drug that inhibits DNA methylation
"IC_{50}"	commonly used quantitative measure of selectivity is through comparing enzyme IC_{50}, which represents the concentration of a drug that is required for 50% inhibition of the target kinase in vitro and the plasma concentration required for obtaining 50% of a maximum effect in vivo
"IDH1"	one of three isocitrate dehydrogenase isozymes
"IDH2"	one of three isocitrate dehydrogenase isozymes
"IDMC"	independent data monitoring committee
"IHCC"	intrahepatic cholangiocarcinoma
"Imfinzi"	commercial name of durvalumab, AstraZeneca's anti-PD-L1 antibody, a medication used to treat patients with unresectable stage III NSCLC and extensive-stage small cell lung cancer
"in-market sales"	total sales to third parties as provided by Eli Lilly

"IND"	investigational new drug; an application and approval process required before drug candidates may commence clinical trials
"institutional review board" or "IRB"	national, regional or local board established to safeguard ethical conduct of research involving human subjects
"interquartile range"	statistical range between 25% and 75%
"Iressa"	trade name for gefitinib, an EGFR inhibitor discovered, developed and marketed by AstraZeneca
"Iressa refractory"	resistant to prior Iressa treatment
"ITP"	immune thrombocytopenia
"KDR"	kinase insert domain receptor
"kinase"	type of enzyme that catalyzes the transfer of phosphate groups from high-energy, phosphate-donating molecules to specific substrates. The protein kinases make up the majority of all kinases. Protein kinases act on proteins, phosphorylating them on their serine, threonine, tyrosine, or histidine residues. These kinases play a major role in protein and enzyme regulation as well as signaling in the cell
"kinase inhibition"	inhibition of kinases by chemical compounds
"kinase targets"	kinases that are of interest for drug testing because of their signaling outputs and disease relevance
"K-Ras"	known as V-Ki-ras2 Kirsten rat sarcoma viral oncogene homolog. It is an oncogene that is often mutated in a number of cancers. The protein product of the normal KRAS gene performs an essential function in normal tissue signaling, and the mutation of a K-Ras gene is an essential step in the development of many cancers
"large molecule"	therapeutic proteins; biologics are a type of large molecule

"Lonsurf"	commercial name of trifluridine plus tipiracil, developed by Taiho Oncology (an Otuska company), a medication used to treat patients with mCRC and gastric cancer
"LPDL"	China's low price drug list
"MAA"	Marketing Authorization Application
"MAPK" or "RAS-RAF-MEK-ERK"	mitogen activated protein kinase
"mCRC"	metastatic colorectal cancer
"MERS"	Middle East respiratory syndrome, a viral respiratory illness caused by a coronavirus called MERS-coronavirus (MERS-CoV)
"MET" or "c-Met"	mesenchymal epithelial transition factor, also known as hepatocyte growth factor receptor or HGFR, targeted by savolitinib
"MET+"	MET aberration, such as gene amplification or mutation
"MET exon 14 mutation" or "MET exon 14 deletion" or "MET exon 14 skipping"	specific genetic mutation where exon 14 of the MET gene is either deleted or not functional resulting in MET over expression, which is believed to play a role in cancer development
"MET/CEP7 ratio"	ratio of the MET copy number to the number of chromosome 7 centromeres
"monoclonal antibodies"	antibodies used in immunotherapy made by identical immune cells that are all clones of a unique parent cell
"monotherapy"	treatment of a disease with a single drug
"National Essential Medicines List"	national list of drugs in China that have been determined to have met basic healthcare requirements of proper dosage form, rational price, supply guarantee and fair accessibility to the public and forms the basis for healthcare facility drug allocation and use

"National Medical Insurance Program"	insurance program adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council of the PRC
"National Reimbursement Drug List" or "NRDL"	national reimbursement drug list released by MoHRSS, which list determines how drugs are covered under both national health insurance programs in the PRC, as amended from time to time
"NCI"	U.S. National Cancer Institute
"NE"	not evaluable
"NET"	neuroendocrine tumor
"neutrophils"	type of immune cell that is one of the first cell types to travel to the site of an infection
"New Drug Application" or "NDA"	application process required by the regulatory bodies such as the FDA or NMPA before a drug may be marketed
"NHL"	Non-Hodgkin's Lymphoma
"nM"	nanomole, a microscopic unit of measurement for the number of small molecules required to deliver the desired inhibitory effect
"Non-P Net"	non-pancreatic neuroendocrine tumor
"NR"	not reached
"NSAIDS"	nonsteroidal anti-inflammatory drugs
"NSCLC"	non-small cell lung cancer
"off-target toxicity"	adverse effects from activity other than from inhibition of a desired target
"ORR" or "objective response rate"	percentage of patients in a study who show either partial response or complete response

"OS" or "overall survival"	length of time that patients diagnosed with a disease are still alive, used in clinical trials as a measurement of a drug's effectiveness
"P-Net"	pancreatic neuroendocrine tumor
"p-value"	measure of the probability of obtaining the observed sample results, with a lower value indicating a higher degree of statistical confidence in these studies
"paclitaxel"	chemotherapy medication used to treat a number of types of cancer, including ovarian cancer, breast cancer, lung cancer, Kaposi sarcoma, cervical cancer, and pancreatic cancer
"partial response"	tumor measurement reduction of greater than 30%, used in clinical trials as a measurement of a drug's effectiveness
"Patent Cooperation Treaty" or "PCT"	treaty which allows individuals to seek patent protection for an invention simultaneously in each of a large number of countries by filing an international patent application
"PBOC"	People's Bank of China, the central bank of the PRC responsible for carrying out monetary policy and regulation of financial institutions in PRC
"PD"	progressive disease
"PD-1"	programmed cell death protein 1
"PD-1 monoclonal antibody"	humanized immunoglobulin (Ig) G4 monoclonal antibody directed against the negative immunoregulatory human cell surface receptor programmed cell death 1 (PD-1), with potential immune checkpoint inhibitory and antineoplastic activities
"PD-L1"	programmed death-ligand 1
"PFS"	progression-free survival
"Phase I study"	phase I clinical trial(s) aim to test the safety of a new drug

"Phase Ib study"	phase I clinical trial that has been expanded to gather further information, such as to get preliminary efficacy and further safety data at established doses, of multiple ascending dose studies to investigate pharmacokinetics and pharmacodynamics of multiple doses of the drug, looking at safety and tolerability
"Phase II study"	phase II clinical trial(s) test a new drug on a larger group of patients, to gather information on efficacy and safety, often in a shorter period
"Phase III study"	phase III clinical trial(s) are only for a new drug that has some data from earlier clinical trials that show efficacy and safety, which tests in larger groups of patients, and usually compare a new drug against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
"Phase IV study"	phase IV clinical trial(s) are done after a drug has been shown to work and has been approved and aim to find out more about the side-effects and safety of the drug, what the long term risks and benefits are and how well the drug works when it is used more widely
"PMDA"	Japanese Pharmaceuticals and Medical Devices Agency
"PRCC"	papillary renal cell carcinoma
"preclinical stage″	drug candidate which is in the preclinical stage but for which the Company is in the process of preparing an IND to be submitted
"proof-of-concept study"	early clinical study which evaluates the effect of a drug candidate on disease biomarkers but not the clinical endpoints of the condition
"PI3K"	Class I phosphatidylinositide-3-kinases, or PI3Ks, are lipid kinases that, through a series of intermediate processes, control the activation of several important signaling proteins including the serine/threonine kinase AKT. PI3Ks have multiple subfamilies, including PI3Kα, PI3Kβ, PI3Kγ and PI3Kδ

"PI3Kδ"	phosphatidylinositide-3-kinase delta, targeted by HMPL-689
"PR"	partial response
"QD"	once daily
"Q-TWiST"	quality-adjusted time without symptoms or toxicity
"R&D-based Pharmaceutical Association Committee"	industry association representing 40 global biopharmaceutical companies
"RCC"	renal cell carcinoma
"RECIST"	response evaluation criteria in solid tumors
"refractory"	resistant to prior therapy
"RP2D"	recommended Phase II dose
"RTKs"	receptor tyrosine kinases
"safety run-in study"	early stage clinical trial to test that a treatment regimen, such as a novel combination of two or more drugs, is reasonably tolerable and often entails successively testing several cohorts of a few patients each, with the initial cohort treatment at a low dose for at least one of the drugs, and subsequent cohorts at increasingly higher doses
"SANET-ep"	non-pancreatic NET
"SANET-p"	pancreatic NET
"SARS"	severe acute respiratory syndrome, a viral respiratory illness caused by a coronavirus called SARS-associated coronavirus (SARS-CoV)
"SAVANNAH study"	name given to a single-arm global Phase II study of savolitinib in combination with Tagrisso in patients that are refractory to Tagrisso

"SAVOIR study"	name given to a study designed to be a global Phase III trial evaluating savolitinib compared with sunitinib in patients with MET driven, unresectable, locally advanced or metastatic papillary renal cell carcinoma
"savolitinib", "AZD6094", "HMPL-504" or "volitinib"	drug candidate discovered by the Group that is a potent and selective inhibitor of MET, an enzyme which has been shown to function abnormally in many types of solid tumors
"Seroquel"	trade name for quetiapine, an anti-psychotic therapy approved for bi-polar disorder and schizophrenia for which Hutchison Sinopharm had exclusive distribution rights in China until its purported termination in May 2019
"She Xiang Bao Xin"	oral vasodilator and pro-angiogenesis prescription therapy which is owned by Shanghai Hutchison Pharmaceuticals and approved to treat coronary artery disease
"small molecule"	type of drug comprised of small, chemically manufactured active-substance molecules; our clinical-stage drug candidates are all small molecules
"somatostatin"	also known as growth hormone-inhibiting hormone, a naturally-occurring peptide hormone of 14 or 28 amino acid residues that regulates the endocrine system
"stable disease"	patients without partial response but with a tumor measurement increase of less than 20%, used in clinical trials as a measurement of a drug's effectiveness
"Stivarga"	commercial name of regorafenib, developed by Bayer, a medication used to treat patients with mCRC, HCC and gastrointestinal stromal tumor
"Sulanda"	brand name for surufatinib capsules in China
"surufatinib", "HMPL-012" or "sulfatinib"	drug candidate discovered by the Group that is an oral small molecule angio-immuno kinase inhibitor targeting VEGFR, FGFR1 and CSF-1R kinases that could simultaneously block tumor angiogenesis and immune evasion

"Sutent"	commercial name of sunitinib malate, developed by Pfizer, a medication used to treat gastrointestinal stromal tumor, as well as advanced RCC and pNET
"Syk"	spleen tyrosine kinase
"T cell"	type of white blood cell that plays a central role in cell-mediated immunity
"T790M-"	T790M mutation negative
"T790M+"	T790M mutation positive
"Tagrisso"	commercial name for osimertinib, AstraZeneca's approved EGFR inhibitor, a medication used to treat non-small-cell lung carcinomas with a specific mutation
"Tarceva"	commercial name of erlotinib, a first generation EGFR inhibitor developed by Roche and OSI Pharma, a medication used to treat pancreatic cancer and NSCLC
"targeted therapy"	type of cancer drug that works by targeting the cancer's specific genes, proteins, or the tissue environment that contributes to cancer growth and survival, including but not limited to small molecule and monoclonal antibodies
"TATTON study"	name given to a study which explored the combination of savolitinib and Tagrisso as a treatment option for EGFRm MET+ non-small cell lung cancer
"Tavalisse"	commercial name of fostamatinib, a Syk inhibitor developed by Rigel Pharmaceuticals, a medication used to treat thrombocytopenia in adult patients with chronic ITP who have had an insufficient response to a previous treatment
"Taxol"	trade name for paclitaxel, a chemotherapy medication used to treat a number of types of cancer, including ovarian cancer, breast cancer, lung cancer, Kaposi sarcoma, cervical cancer, and pancreatic cancer
"TEAEs"	treatment emergent adverse events

"theliatinib"	novel EGFR inhibitor discovered by the Group being investigated for the treatment of esophageal and other solid tumors
"TNFα"	Tumor necrosis factor alpha, a protein involved in cell signalling
"TTR"	time to response
"Tuoyi", "toripalimab" or "JS001"	PD-1 inhibitor developed by Junshi, approved in China for the treatment of patients with melanoma
"Tyrosine kinase inhibitors" or "TKI"	drugs and drug candidates that block chemical messengers (enzymes) called tyrosine kinases. Tyrosine kinases help to send growth signals in cells, so blocking them stops the cell growing and dividing
"Tyvyt", "sintilimab" or "IBI308"	PD-1 inhibitor developed by Innovent, approved in China for patients with classical Hodgkin's lymphoma
"U.S. Patent and Trademark Office" or "USPTO"	agency responsible for granting U.S. patents and registering trademarks
"umbrella study"	study with many different treatment arms within one trial; patients are assigned to a particular treatment arm of the trial based on their type of cancer and the specific molecular makeup of their cancer
"VEGF"	vascular endothelial growth factor is an essential growth factor for vascular endothelial cells. VEGF is up-regulated in many tumors and its contribution to tumor angiogenesis is well defined
"VEGFR"	vascular endothelial growth factor receptors are tyrosine kinase receptors responsible for binding with VEGF to initiate signal cascades that stimulate angiogenesis among other effects
"VEGFR 1, 2 and 3"	three vascular endothelial growth receptors targeted by fruquintinib and surufatinib (along with FGFR 1 and CSF-1R)
"VEGFR inhibitor"	vascular endothelial growth factor receptor inhibitors are agents that inhibit the activity of VEGFR

"Vidaza"	trade name for azacitidine, an approved hypomethylating agent
"VIKTORY study"	name given to a biomarker-based Phase II umbrella trial in gastric cancer patients
"WM"	Waldenström's macroglobulinemia, a type of lymphoma
"Zhi Ling Tong"	Hutchison Healthcare's infant nutrition brand
"Zydelig"	commercial name for idelalisib, developed by Gilead, a medication used to treat relapsed chronic lymphocytic leukemia, relapsed follicular lymphoma and relapsed small lymphocytic lymphoma


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