UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

(Mark one)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number 001-37710

HUTCHISON CHINA MEDITECH LIMITED

(Exact name of Registrant as specified in its charter)
N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

48th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong
+852 2121 8200

(Address of principal executive offices)

Christian Hogg
Chief Executive Officer
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(Name, telephone, email and/or facsimile number and address of Company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American depositary shares, each representing five ordinary shares, par value $0.10 per share	HCM	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:
727,722,215 ordinary shares were issued and outstanding as of December 31, 2020.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Note

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

†The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepare or issued its audit report. ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)
Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

Hutchison China MediTech Limited
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INTRODUCTION

This annual report on Form 20-F contains our audited consolidated statements of operations data for the years ended December 31, 2020, 2019 and 2018 and our audited consolidated balance sheet data as of December 31, 2020 and 2019. Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

This annual report also includes 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 each of our two non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, which are accounted for using the equity accounting method. This annual report also includes 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 of Nutrition Science Partners when it was our non-consolidated joint venture. 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 financial statements of each of Shanghai Hutchison Pharmaceuticals, Hutchison Baiyunshan and Nutrition Science Partners have been prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standard Board, or IASB.

Unless the context requires otherwise, references herein to the "company," "Hutchmed," "we," "us" and "our" refer to Hutchison China MediTech Limited and its consolidated subsidiaries and joint ventures.

Conventions Used in this Annual Report

Unless otherwise indicated, references in this annual report to:

- "ADRs" are to the American depositary receipts, which evidence our ADSs;
- "ADSs" are to our American depositary shares, each of which represents five ordinary shares;
- "China" or "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- "CK Hutchison" are to CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited, or the Hong Kong Stock Exchange, and the ultimate parent company of our largest shareholder, Hutchison Healthcare Holdings Limited;
- "E.U." are to the European Union;
- "Guangzhou Baiyunshan" are to Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, a leading China-based pharmaceutical company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange;
- "Hain Celestial" are to The Hain Celestial Group, Inc., a Nasdaq-listed, natural and organic food and personal care products company;
- "HK$" or "HK dollar" are to the legal currency of the Hong Kong Special Administrative Region;
- "Hutchison Baiyunshan" are to Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited, our non-consolidated joint venture with Guangzhou Baiyunshan in which we have a 50% interest through a holding company in which we have a 80% interest;
- "Hutchison Consumer Products" are to Hutchison Consumer Products Limited, our wholly owned subsidiary;
- "Hutchison Hain Organic" are to Hutchison Hain Organic Holdings Limited, our joint venture with Hain Celestial in which we have a 50% interest;

- "Hutchison Healthcare" are to Hutchison Healthcare Limited, our wholly owned subsidiary;
- "Hutchison MediPharma" are to Hutchison MediPharma Limited, our subsidiary through which we operate our Oncology/Immunology operations in which we have a 99.8% interest;
- "Hutchison MediPharma Holdings" are to Hutchison MediPharma Holdings Limited, our subsidiary in which we have a 99.8% interest and which is the indirect holding company of Hutchison MediPharma;
- "Hutchison Sinopharm" are to Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited, our joint venture with Sinopharm in which we have a 50.9% interest;
- "Nutrition Science Partners" are to Nutrition Science Partners Limited, our subsidiary in which we have a 99.8% interest and formerly our non-consolidated joint venture with Nestlé Health Science S.A.;
- "ordinary shares" or "shares" are to our ordinary shares, par value $0.10 per share;
- "RMB" or "renminbi" are to the legal currency of the PRC;
- "Shanghai Hutchison Pharmaceuticals" are to Shanghai Hutchison Pharmaceuticals Limited, our non-consolidated joint venture with Shanghai Pharmaceuticals in which we have a 50% interest;
- "Shanghai Pharmaceuticals" are to Shanghai Pharmaceuticals Holding Co., Ltd., a leading pharmaceutical company in China listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange;
- "Sinopharm" are to Sinopharm Group Co. Ltd., a leading distributor of pharmaceutical and healthcare products and a leading supply chain service provider in China listed on the Hong Kong Stock Exchange;
- "United States" or "U.S." are to the United States of America;
- "$" or "U.S. dollars" are to the legal currency of the United States; and
- "£" or "pound sterling" are to the legal currency of the United Kingdom.

References in this annual report to our "Oncology/Immunology" operations are to all activities related to oncology/immunology, including sales, marketing, manufacturing and research and development with respect to our drugs and drug candidates, and references to our "Other Ventures" are to all of our other businesses.

Our reporting currency is the U.S. dollar. In addition, this annual report also contains translations of certain foreign currency amounts into dollars for the convenience of the reader. Unless otherwise stated, all translations of pound sterling into U.S. dollars were made at £1.00 to $1.35, all translations of RMB into U.S. dollars were made at RMB6.55 to $1.00 and all translations of HK dollars into U.S. dollars were made at HK$7.80 to $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, HK dollar or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars, pounds sterling or HK dollars, as the case may be, at any particular rate or at all.

Trademarks and Service Marks

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 trademarks "Hutchison", "Chi-Med", "Hutchison China-MediTech", "Hutchmed", "Elunate", "Sulanda" and the logo used by Hutchison MediPharma. All other trademarks, service marks or trade names appearing in this annual report 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 annual report 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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:

- 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;
- the establishment of an oncology drug sales team to support the marketing and sales 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 pursuant to our strategic alliances with AstraZeneca AB (publ), or AstraZeneca, and Lilly (Shanghai) Management Company Limited, or Eli Lilly;
- the rate and degree of market acceptance of our drug candidates;
- 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; and
- 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.

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 annual report may turn out to be inaccurate. We have included important factors in the cautionary statements included in this annual report on Form 20-F, particularly in the section of this annual report on Form 20-F titled "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 annual report and the documents that we reference herein and have filed as exhibits hereto 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 the filing of this annual report, and we do not assume any obligation to update any forward-looking statements except as required by applicable law.

In addition, this annual report contains statistical data and estimates that we have obtained from industry publications and reports generated by third-party market research firms. Although we believe that the publications, reports and surveys are reliable, we have not independently verified the data and cannot guarantee the accuracy or completeness of such data. You are cautioned not to give undue weight to this data. Such data involves risks and uncertainties and are subject to change based on various factors, including those discussed above.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

The following summarizes some, but not all, of the risks provided below. Please carefully consider all of the information discussed in this Item 3.D. "Risk Factors" in this annual report for a more thorough description of these and other risks.

Risks Relating to Our Financial Position and Need for Capital

- Risks relating to our need for additional funding
- Risks relating to our existing and future indebtedness

Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates

- 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 undesirable side effects 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
- Risks relating to the expansion of our international operations

Risks Relating to Sales of Our Internally Developed Drugs and Other Drugs

- Risks relating to obtaining and maintaining permits and licenses for our and our joint ventures' pharmaceutical operations in China
- Risks relating to leveraging our Other Ventures' prescription drug business to commercialize our internally developed drug candidates
- Risks relating to competition in selling our approved, internally developed drugs and drugs of our Other Ventures
- Risks relating to maintaining and enhancing the brand recognition of our drugs
- Risks relating to the availability of reimbursement of our drugs, the lack of which could diminish our sales or profitability
- Risks relating to counterfeit products in China
- Risks relating to rapid changes in the pharmaceutical industry rendering our products obsolete
- Risks relating to cultivating or sourcing raw materials
- Risks relating to adverse publicity of us, our joint ventures or our products

Risks Relating to Our Dependence on Third Parties

- Risks relating to disagreements with current or future collaboration partners which we rely on for certain drug development activities including the conducting of clinical trials
- Risks relating to relying on third party suppliers for the active pharmaceutical ingredients in our drug candidate and drug products
- Risks relating to our, our collaboration partners or our CROs' failure to comply with regulatory requirements pertaining to clinical trials
- Risks relating to relying on third parties to construct our new manufacturing facility in Shanghai
- Risks relating to relying on distributors for logistics and distributions services
- Risks relating to the availability of benefits currently enjoyed by virtue of our association with CK Hutchison

Other Risks and Risks Relating to Doing Business in China

- Risks relating to COVID-19
- Risks relating to compliance with privacy laws, information security policies and contractual obligations related to data privacy and security and any information technology or data security failures
- Risks relating to product liability claims or lawsuits
- Risks relating to liabilities under anti-corruption laws, environmental, health and safety laws and laws relating to equity incentive plans
- Risks relating to uncertainties with respect to the PRC legal system, China's currency exchange limits and PRC government tax incentives or treatment

Risks Relating to Intellectual Property

- Risks relating to our, our joint ventures and our collaboration partners' abilities to protect and enforce intellectual property rights and maintain confidentiality of trade secrets

- Risks relating to infringing upon third parties' intellectual property rights

Risks Relating to our ADSs

- Risks relating to being delisted from the Nasdaq if the PCAOB continues to be unable to inspect our independent registered public accounting firm for three consecutive years

- Risks relating to our largest shareholder which may limit the ability of other shareholders to influence corporate matters

You should carefully consider the following risk factors in addition to the other information set forth in this annual report. If any of the following risks were actually to occur, our company's business, financial condition and results of operations prospects could be adversely affected and the value of our ADSs would likely suffer.

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, Hutchison MediPharma International Inc. 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 $32.8 million, $80.9 million and $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 December 31, 2020, including: (i) the aggregate HK$424.0 million ($54.4 million) revolving credit facilities with The Hongkong and Shanghai Banking Corporation Limited, or HSBC, and (ii) the HK$117.0 million ($15.0 million) revolving credit facility with Deutsche Bank AG, Hong Kong Branch, or Deutsche Bank AG, 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 receive regulatory approval;

- the amount and timing of any milestone payments 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;

- our headcount growth and associated costs, particularly as we expand our clinical activities in the United States and Europe; and

- the costs of operating as a public company listed in 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, 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 are subject to liquidity risk with respect to our investments in our joint ventures.

Our interests in our joint ventures are subject to liquidity risk. Such investments are not as liquid as other investment products as there is no cash flow until dividends are declared and received by us even if such joint ventures are profitable. 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.

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 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 metastatic colorectal cancer, or 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 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 neuroendocrine tumors (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 U.S. Food and Drug Administration, or FDA, National Medical Products Administration of China, or 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 New Drug Application, or NDA, pre-market approval or equivalent application types, may cause delays in the approval or rejection of an application. The FDA, NMPA and comparable 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 patients and for NET, 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 genolimzumab), 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, genolimzumab, 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 Ltd., or BeiGene, Inmagene Biopharmaceuticals Co. Ltd., or Inmagene, Innovent Biologics (Suzhou) Co., Inc., or Innovent, Genor Biopharma Co. Ltd., or Genor, and Shanghai Junshi Biosciences Co. Ltd., or 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 or institutional review boards, or IRBs, or 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, or REMS, 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 U.K, 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 good clinical practices, or 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 colorectal cancer, or CRC, savolitinib for the treatment of non-small cell lung cancer, or 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 neuroendocrine tumor 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 neuroendocrine tumors 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 neuroendocrine tumors. 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 Weiguo 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 new 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 U.S., 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, currently there is no officially approved regulation to oversee compassionate-use programs. 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 operating 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 relevant food and drug administrative authority;

- 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. The specific regulatory changes under the reform still remain uncertain. The implementing measures to be issued may not be sufficiently effective to achieve the stated goals and, as a result, we may not be able to benefit from such reform to the level we expect, if at all. Moreover, the reform could give rise to regulatory developments, such as more burdensome administrative procedures, which may have an adverse effect on our business and prospects.

For further information regarding government regulation in China and other jurisdictions, see Item 4.B. "Business Overview—Regulation—Government Regulation of Pharmaceutical Product Development and Approval," "Business Overview—Regulation—Coverage and Reimbursement" and "Business Overview—Regulation—Other Healthcare Laws."

As a significant portion of the operations of our Other Ventures is conducted through joint ventures, we are largely 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.

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 $38.3 million, $40.6 million and $79.1 million for the years ended December 31 2018, 2019 and 2020, respectively, as recorded in our consolidated financial statements. 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. 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.

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 intend to leverage the know-how and infrastructure of our Other Ventures' prescription drug business to commercialize our internally developed drug candidates, but we may not be successful in building a commercial sales team to successfully manufacture, sell and market our approved drugs, and we may not be able to generate any revenue from such products.

Our Other Ventures include a prescription drugs business that manufactures, markets, distributes and sells proprietary and third party drugs, as well as a consumer health business involved in over-the-counter pharmaceutical products. Our prescription drugs business is primarily operated by our Shanghai Hutchison Pharmaceuticals and Hutchison Sinopharm joint ventures. We intend to leverage our experience operating our prescription drugs business to commercialize certain of our approved, internally developed drug candidates in China. However, to do so, 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 have a 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 with leveraging the experience from our current business to establish 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 National Reimbursement Drug List, or 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 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 in China 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.

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 ingredient 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, 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, 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 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 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 over 50 countries. CK Hutchison is the ultimate parent company of Hutchison Healthcare Holdings Limited, which as of March 1, 2021, owns 45.69% of our total outstanding share capital. 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, shared use of accounting software system and related 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 $0.9 million, $0.9 million and $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 $8.3 million, $7.6 million and $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 date of this annual report, 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. 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 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 and surufatinib, 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 and surufatinib 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, or FCPA, 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 FCPA, 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 also strictly prohibits 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 FCPA, 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.

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 Item 4.B. "Business Overview—Regulation—Government Regulation of Pharmaceutical Product Development and Approval—PRC Regulation of Pharmaceutical Product Development and Approval," "Business Overview—Regulation—Coverage and Reimbursement—PRC Coverage and Reimbursement" and "Business Overview—Regulation—Other Healthcare Laws—Other PRC Healthcare Laws."

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

Substantially all of our revenue is denominated in renminbi, which currently is not a freely convertible currency. A portion of our revenue may be converted into other currencies to meet our foreign currency obligations, including, among others, payments of dividends declared, if any, in respect of our ordinary shares or ADSs. Under China's existing foreign exchange regulations, our subsidiaries and joint ventures are able to pay dividends in foreign currencies or convert renminbi into other currencies for use in operations without prior approval from the PRC State Administration of Foreign Exchange, or the 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 the Ministry of Commerce, or MOFCOM, and the 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, higher EIT rates 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, effective as of January 1, 2008, 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 ADS holders or any gains realized by non-PRC shareholders and ADS holders from the transfer of our shares or ADSs 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 or ADSs 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 (including our ADS holders) 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 or ADSs by such shareholders are subject to PRC tax, the value of your investment in our shares or ADSs 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 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 Arrangement 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 market of the London Stock Exchange. 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 market of the London Stock Exchange 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 Item 4.B. "Business Overview—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, and our or their positioning in the Chinese market and our financial condition, results of operations and prospects may be materially and 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 neuroendocrine tumors 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 Our ADSs

Our audit report and the audit reports of our non-consolidated joint ventures included in this annual report are prepared by auditors who are not inspected by the PCAOB. As such, you are deprived of the benefits of a PCAOB inspection. 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. 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 mainland 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 U.S. President 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. 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.

Our largest shareholder owns a significant percentage of our ordinary shares, which may limit the ability of other shareholders to influence corporate matters.

As of March 1, 2021, Hutchison Healthcare Holdings Limited owned approximately 45.69% of our ordinary shares. Accordingly, Hutchison Healthcare Holdings Limited can influence the outcome of any corporate transaction or other matter submitted to shareholders for approval and the interests of Hutchison Healthcare Holdings Limited may differ from the interests of our other shareholders. Under our Articles of Association, certain matters, such as amendments to our amended and restated 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, Hutchison Healthcare Holdings Limited's approval will be required to achieve any such threshold. In addition, Hutchison Healthcare Holdings Limited has and will continue to have a significant influence over the management and the strategic direction of our company.

Substantial future sales or perceived potential sales of our ADSs, ordinary shares or other equity or equity-linked securities in the public market could cause the price of our ADSs to decline significantly.

Sales of our ADSs, ordinary shares or other equity or equity-linked securities in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline significantly. All of our ordinary shares represented by ADSs are freely transferable by persons other than our affiliates without restriction or additional registration under the Securities Act of 1933, or the Securities Act. The ordinary shares held by our affiliates are also available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act, under sales plans adopted pursuant to Rule 10b5-1 or otherwise.

We have filed with the SEC registration statements on Form F-3, commonly referred to as a "shelf registration," that permit us to sell any number of ADSs in a registered offering at our discretion. We have completed registered offerings raising aggregate gross proceeds of approximately $537.9 million under such shelf registration statements. In addition, our largest shareholder has completed registered secondary offerings raising aggregate gross proceeds of approximately $310.4 million for it as a selling shareholder under a shelf registration statement. We may decide to conduct future offerings from time to time, and such sales could cause the price of our ADSs to decline significantly.

In connection with the issuance of ordinary shares in private placements in 2020, we agreed to provide two shareholders Form F-3 registration rights. Registration of the ordinary shares held by such shareholders may result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these shares, or the perception that such sales could occur, could cause the price of our ADSs to decline. In addition, any changes in the investment strategies or philosophies of our major shareholders may lead to the sale of our ADSs and other securities, which could cause the price of our ADSs to decline.

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 our ADSs could decline.

The trading market for our ADSs 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 stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

As a foreign private issuer, we are not subject to certain U.S. securities law disclosure requirements that apply to a domestic U.S. issuer, which may limit the information publicly available to our shareholders.

As a foreign private issuer we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act and therefore there may be less publicly available information about us than if we were a U.S. domestic issuer. For example, we are not subject to the proxy rules in the United States and disclosure with respect to our annual general meetings will be governed by the AIM Rules for Companies, or the AIM Rules, and Cayman Islands requirements. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules thereunder. Therefore, our shareholders may not know on a timely basis when our officers, directors and principal shareholders purchase or sell our ordinary shares or ADSs.

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

As a foreign private issuer, we are permitted to take advantage of certain provisions in the Nasdaq listing rules that allow us to follow Cayman Islands law for certain governance matters. Certain corporate governance practices in the Cayman Islands may differ significantly from corporate governance listing standards as, except for general fiduciary duties and duties of care, Cayman Islands law has no corporate governance regime which prescribes specific corporate governance standards. We intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Global Select Market in respect of the following: (i) the majority independent director requirement under Section 5605(b)(1) of the Nasdaq listing rules, (ii) the requirement under Section 5605(d) of the Nasdaq listing rules that a remuneration committee comprised solely of independent directors governed by a remuneration committee charter oversee executive compensation and (iii) the requirement under Section 5605(e) of the Nasdaq listing rules that director nominees be selected or recommended for selection by either a majority of the independent directors or a nominations committee comprised solely of independent directors. Cayman Islands law does not impose a requirement that our board of directors consist of a majority of independent directors. Nor does Cayman Islands law impose specific requirements on the establishment of a remuneration committee or nominating committee or nominating process. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers. We have voluntarily complied with many of the principles of the U.K. published by the U.K. Financial Reporting Council which guides certain of our other corporate governance practices. See Item 6.C. "Board Practice—U.K. Corporate Governance Code" for more details.

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

The value of the renminbi 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 renminbi 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 renminbi may have a material adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into renminbi for our operations, appreciation of the renminbi against the U.S. dollar would have an adverse effect on the renminbi amount we would receive from the conversion. Conversely, if we decide to convert our renminbi into U.S. dollars, appreciation of the U.S. dollar against the renminbi would have a negative effect on the U.S. dollar amount available to us. Appreciation or depreciation in the value of the renminbi 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 renminbi. 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 $6.6 million and $4.3 million and a foreign currency translation gain of $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 renminbi 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 Securities Act, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the 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 ordinary 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 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.

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 ADSs.

We have never declared or paid any dividends on our ordinary 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 your ADSs at least in the near term, and the success of an investment in ADSs will depend upon any future appreciation in its value. Consequently, investors may need to sell all or part of their holdings of ADSs after price appreciation, which may never occur, to realize any future gains on their investment. There is no guarantee that the ADSs will appreciate in value or even maintain the price at which our shareholders have purchased the ADSs.

The trading prices for our ADSs may be volatile which could result in substantial losses to you.

The market price of our ADSs has been volatile. From March 17, 2016 to March 1, 2021, the closing sale price of our ADSs ranged from a high of $41.14 to a low of $11.26 per ADS.

The market price for our ADSs 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 ordinary shares or ADSs; and
- sales or perceived sales of additional ordinary 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 a sharp decline 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 our ADSs, which would also negatively affect the trading prices for our ADSs.

The dual listing of our ordinary shares and the ADSs may adversely affect the liquidity and value of the ADSs.

Our ordinary shares are listed on the AIM market of the London Stock Exchange. The dual listing of our ordinary shares and the ADSs may dilute the liquidity of these securities in one or both markets and may adversely affect the development of an active trading market for the ADSs in the United States. The price of the ADSs could also be adversely affected by trading in our ordinary shares on the AIM market. Furthermore, our ordinary shares trade on the AIM market of the London Stock Exchange in the form of depository interests, each of which is an electronic book-entry interest representing one of our ordinary shares. However, the ADSs are backed by physical ordinary share certificates, and the depositary for our ADS program is unable to accept depository interests into its custody in order to issue ADSs. As a result, if an ADS holder wishes to cancel its ADSs and instead hold depository interests for trading on the AIM market or vice versa, the issuance and cancellation process may be longer than if the depositary could accept such depository interests.

Although our ordinary shares continue to be listed on the AIM market following our initial public offering in the United States completed in March 2016, we may decide at some point in the future to propose to our ordinary shareholders to delist our ordinary shares from the AIM market, and our ordinary shareholders may approve such delisting. We cannot predict the effect such delisting of our ordinary shares on the AIM market would have on the market price of the ADSs on the Nasdaq Global Select Market.

Fluctuations in the exchange rate between the U.S. dollar and the pound sterling may increase the risk of holding the ADSs.

Our share price is quoted on the AIM market of the London Stock Exchange in pence sterling, while the ADSs will trade on Nasdaq in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the pound sterling may result in temporary differences between the value of the ADSs and the value of our ordinary shares, which may result in heavy trading by investors seeking to exploit such differences. In addition, as a result of fluctuations in the exchange rate between the U.S. dollar and the pound sterling, the U.S. dollar equivalent of the proceeds that a holder of the ADSs would receive upon the sale in the United Kingdom of any shares withdrawn from the depositary and the dollar equivalent of any cash dividends paid in pound sterling on our shares represented by the ADSs could also decline.

Securities traded on the AIM market of the London Stock Exchange may carry a higher risk than shares traded on other exchanges and may impact the value of your investment.

Our ordinary shares are currently traded on the AIM market of the London Stock Exchange. Investment in equities traded on AIM is perceived by some to carry a higher risk than an investment in equities quoted on exchanges with more stringent listing requirements, such as the New York Stock Exchange or the Nasdaq. This is because the AIM market imposes less stringent ongoing reporting requirements than those other exchanges. You should be aware that the value of our ordinary shares may be influenced by many factors, some of which may be specific to us and some of which may affect AIM-listed companies generally, including the depth and liquidity of the market, our performance, a large or small volume of trading in our ordinary shares, legislative changes and general economic, political or regulatory conditions, and that the prices may be volatile and subject to extensive fluctuations. Therefore, the market price of our ordinary shares underlying the ADSs may not reflect the underlying value of our company.

The depositary for our ADSs gives us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, the depositary gives us a discretionary proxy to vote our ordinary shares underlying your ADSs at shareholders' meetings if you do not vote, unless:

- we do not wish a discretionary proxy to be given;
- we are aware or should reasonably be aware that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would materially and adversely affect the rights of shareholders.

The effect of this discretionary proxy is that you cannot prevent our ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise their rights.

Holders of our ADSs do not have the same rights as our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under our amended and restated Memorandum and Articles of Association, an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered may be called with not less than 21 clear days' notice, and all other extraordinary general meetings may be called with not less than 14 clear days' notice. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw the ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, we will give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date and the depositary will send a notice to you about the upcoming vote and will arrange to deliver our voting materials to you. The depositary and its agents, however, may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. Furthermore, the depositary will not be liable for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you request. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

You may not receive distributions on our ADSs or any value for them if such distribution is illegal or if any required government approval cannot be obtained in order to make such distribution available to you.

Although we do not have any present plan to pay any dividends, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses and any applicable taxes and governmental charges. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities whose offering would require registration under the Securities Act but is not so properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not reasonably practicable to distribute certain property. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under the U.S. securities laws any offering of ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary bank will not make rights available to you unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. If the depositary does not distribute the rights, it may, under the deposit agreement, either sell them, if possible, or allow them to lapse. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

If we are classified as a passive foreign investment company, U.S. investors could be subject to adverse U.S. federal income tax consequences.

The rules governing passive foreign investment companies, or PFICs, can have adverse effects for U.S. investors for U.S. federal income tax purposes. The tests for determining PFIC status for a taxable year depend upon the relative values of certain categories of assets and the relative amounts of certain kinds of income. As discussed in "Taxation—Material U.S. Federal Income Tax Considerations," we do not believe that we are currently a PFIC. Notwithstanding the foregoing, the determination of whether we are a PFIC depends on particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and may also be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (1) the market price of our ordinary shares and ADSs and (2) the composition of our income and assets, which will be affected by how, and how quickly, we spend any cash that is raised in any financing transaction. In light of the foregoing, no assurance can be provided that we are not currently a PFIC or that we will not become a PFIC in any future taxable year. Furthermore, if we are treated as a PFIC, then one or more of our subsidiaries may also be treated as PFICs.

If we are or become a PFIC, and, if so, if one or more of our subsidiaries are treated as PFICs, U.S. holders of our ordinary shares and ADSs would be subject to adverse U.S. federal income tax consequences, such as ineligibility for any preferential tax rates on capital gains or on actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws and regulations. Whether U.S. holders of our ordinary shares or ADSs make (or are eligible to make) a timely qualified electing fund, or QEF, election or a mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership and disposition of our ordinary shares and ADSs and any distributions such U.S. holders may receive. We do not, however, expect to provide the information regarding our income that would be necessary in order for a U.S. holder to make a QEF election if we are classified as a PFIC. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our ordinary shares and ADSs.

You may have difficulty enforcing judgments obtained against us.

We are a company incorporated under the laws of the Cayman Islands, and substantially all of our assets are located outside the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, all of whom are not residents in the United States and whose assets are located outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

You may be subject to limitations on transfers of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of mutual and practical cooperation mechanisms. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC. While detailed interpretations of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within China may further increase difficulties you may face in protecting your interests.

We are a Cayman Islands company. As judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law or English law, shareholders may have different shareholder rights than they would have under 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 Companies Act (as amended) of the Cayman Islands 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 and some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities law than 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 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 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 U.S. federal courts or English courts.

Some of our directors and executive officers reside outside of the United States and a substantial portion of their assets are located outside of 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 United States in the event that you believe that your rights have been infringed under the securities laws of 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 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.

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 of directors or controlling shareholders than they would as public shareholders of an English company or a U.S. company.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company.

Hutchison China MediTech Limited was incorporated in the Cayman Islands on December 18, 2000 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. Our company was founded by a wholly owned subsidiary of CK Hutchison, a multinational conglomerate with operations in over 50 countries. CK Hutchison is the ultimate parent company of our largest shareholder Hutchison Healthcare Holdings Limited.

We launched our novel drug research and development operations in 2002 with the establishment of our subsidiary Hutchison MediPharma, which is focused on discovering, developing and marketing drugs for the treatment of cancer and immunological diseases. Ten of our drug candidates have entered clinical trials around the world and two have so far been approved for sale. Since 2001, we have also developed drug marketing and distribution platforms in China, which primarily focus on prescription drug and consumer health products through several joint ventures and subsidiary companies and are included in our Other Ventures. We listed our ordinary shares on the AIM market of the London Stock Exchange in 2006 and ADSs on the Nasdaq Global Select Market in 2016.

In January and February of 2020, we sold 4,733,663 ADSs in a follow-on offering, raising gross proceeds of approximately $118.3 million. In July 2020, we sold 20,000,000 ordinary shares via a private placement to General Atlantic. We also granted a warrant to General Atlantic to purchase up to an additional equivalent of 16,666,670 ordinary shares, at an exercise price of US$6.00 per ordinary share, and a term of 18 months. In November 2020, we sold 16,666,670 ordinary shares via a private placement to Canada Pension Plan Investment Board.

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 research and development operations under which our oncology products have been developed and are now being marketed. The brand Hutchmed will immediately replace Chi-Med as our abbreviated name, and we will, subject to shareholder approval, formally change our group company name at our Annual General Meeting scheduled to be held in April 2021.

Our principal executive offices are located at 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. Our telephone number at that address is +852 2121 8200. The address of our registered office in the Cayman Islands is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

See Item 5.B. "Liquidity and Capital Resources" for details on our capital expenditures for the years ended December 31, 2018, 2019 and 2020.

We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. We also make available on our website's investor relations page, free of charge, our annual report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The address for our investor relations page is *www.chi-med.com/shareholder-information.* The information contained on our website is not incorporated by reference in this annual report.

B. Business Overview.

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. Our company started in China in 2000 and has since developed fully integrated capabilities and expanded oncology and immunology drug development operations globally. Our operational achievements and capabilities to date include:

Broad pipeline of targeted therapies and immunotherapies built with a risk-balanced approach for the global market. Our drug candidates cover both novel and validated targets, including MET, Syk, CSF1R, IDH, VEGFR, PI3Kδ and fibroblast growth factor receptor, or FGFR, and extracellular signal-regulated kinase, or ERK. Our research focuses on developing 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 their maximum dosages with fewer side effects.

Commercially launching products while continuing to discover new assets. In China, we have brought 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 a third, savolitinib. All three drugs are in late-stage development outside of China, with the most advanced being surufatinib for which we are filing a rolling NDA in the United States. 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 600 scientists and staff, who created one of the broadest global clinical pipelines among our peer oncology and immunology focused biotechnology companies. Currently, we are conducting and planning clinical studies in 40 different cohorts of oncology patients globally, including at least four registration-intent studies.

Fast expanding and productive international organization. Our U.S. and European clinical teams of approximately 60 staff have significantly broadened our international clinical development operations, particularly in the United States, Europe, Japan and Australia. This team has established a productive track record since it was established in 2018, including the initiation of a rolling U.S. NDA filing for surufatinib, a large randomized controlled study for fruquintinib and U.S. and European Phase I trials for our drug candidates HMPL-523, HMPL-689 and HMPL-306. The FDA granted surufatinib fast track designations for non-pancreatic and pancreatic neuroendocrine tumors as well as an orphan drug designation for pancreatic neuroendocrine tumors. Fruquintinib has also received FDA fast track designation, for late stage colorectal cancer.

Long-standing drug marketing and distribution experience to support the realization of in-house oncology innovations. We have built large-scale and profitable drug marketing and distribution platforms through the joint ventures and subsidiaries in Other Ventures, which primarily manufacture, market and distribute prescription drugs and consumer health products 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, as of March 1, 2021, and continue to expand, a 420-person in-house oncology drug sales team 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 2,300 oncology hospitals and over 20,000 oncology physicians in China, a network that we estimate represents over 90% of oncology drug sales in China. We are also in the process of expanding the geographic reach of our commercial capabilities to the United States with the recruitment of a senior leadership team based in New Jersey to support the potential launch of surufatinib.

Our Strategy

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:

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.

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 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 progressing early development of HMPL-453 (selective FGFR 1/2/3 inhibitor) and HMPL-306 (IDH 1/2 inhibitor). 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.

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. 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 420 persons as of March 1, 2020 to approximately 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, at the end of 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. 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 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.

Capitalize on regulatory reforms currently underway in China aimed at addressing existing major 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. During 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 over 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 significant unmet medical needs in oncology.

Working with partners to complement our internal research and development activities and continue to adapt existing collaborations as necessary

We plan to explore opportunities to access complementary drug candidates and/or interests in other biopharmaceutical companies to supplement our in-house research and development capabilities and to enhance our current drug candidate pipeline. 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 Ltd., or BeiGene, to evaluate combining surufatinib and fruquintinib with its anti-PD-1 antibody tislelizumab for the treatment of various solid tumor cancers in the U.S., Europe, China and Australia. In 2021, we partnered with Inmagene Biopharmaceuticals, or 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 non-small cell lung cancer harboring mesenchymal epithelial transition factor, or 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.

Oncology Commercial Operations

We are able to rapidly establish and grow our dedicated Sulanda and Elunate oncology commercial organization, building on our long-standing drug marketing and distribution platforms. Currently, our oncology commercial team in China comprises over 420 staff, compared to approximately 90 at the end of 2019. At the same time, we are expanding our U.S. based international commercial capabilities.

We have received regulatory approvals and commercially launched two of our self-discovered drug candidates in China and are working to obtain approval for commercial sales of a third drug candidate in China, as described below:

Surufatinib – Sulanda in China

We received approval from the NMPA for Sulanda, the brand name in China of surufatinib, as a treatment for patients with advanced non-pancreatic neuroendocrine tumors, or NET, in December 2020 and commercially launched it in mid-January 2021, within three weeks of approval. By the end of January 2020, Sulanda prescriptions had been written in 30 provinces in China. Further activities are underway. Most notably, we are working to reduce cost as a barrier for patients to access Sulanda. We have implemented a broad-scale, need-based patient access program which could materially reduce patient out-of-pocket costs, while applying for Sulanda to be included in the 2022 NRDL.

In China, there were an estimated 67,600 newly diagnosed NET patients in 2018, of which an estimated 60% were diagnosed with advanced NETs. Considering the current incidence to prevalence ratio, there may be more than 300,000 patients living with the disease in China.

Fruquintinib – Elunate in China

At the end of 2018, our collaboration partner Eli Lilly commenced commercial sales of Elunate, the brand name in China of fruquintinib, targeting the more than 55,000 metastatic colorectal cancer 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 at a reduced price, paving the way to significantly broaden access for advanced colorectal cancer 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 activities in China through an amendment to our collaboration terms with Eli Lilly.

Driven in part by the inclusion of Elunate in the 2020 NRDL and our assumption of responsibility for detailing, promotion and marketing 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 $33.7 million for the year ended December 31, 2020 compared to $17.6 million for the year ended December 31, 2019. We recognize revenue for royalties and manufacturing costs and, 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.

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

We have submitted a 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 the marketing authorization holder, and AstraZeneca is expected to launch savolitinib in China through the same oncology commercial organization that markets Tagrisso, Imfinzi, Iressa and Lynparza, among others.

Global Clinical Drug Development

Our fast expanding international organization, led mainly from the United States, is developing six oncology drug candidates. In 2020, the organization initiated the rolling submission of surufatinib, our first U.S. NDA filing, as well as a global Phase III study for fruquintinib. Further, the organization is progressing three oncology drug candidates (HMPL-689, HMPL-523, HMPL-306) toward proof-of-concept or registration enabling studies later this year. Savolitinib, via a global collaboration with AstraZeneca, is in a registration-enabling Phase II study with additional programs to start in 2021.

The following table summarizes the status of our global clinical drug portfolio's development as of the date of the filing of this annual report:

Our Global Clinical Development Pipeline

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

* Phase II registration-intent study subject to regulatory discussion; ** In planning; and *** Investigator-initiated trials (IIT).

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; Syk = spleen tyrosine kinase; PI3Kδ = Phosphatidylinositol-3-Kinase delta; NSCLC = non-small cell lung cancer; RCC = renal cell carcinoma; NHL = Non-Hodgkin's Lymphoma; TN = triple negative; IDH 1/2 = isocitrate dehydrogenase 1/2;

Surufatinib—unique angio-immuno kinase inhibitor with NDA being submitted in the United States

Surufatinib, which has been approved in China for the treatment of non-pancreatic neuroendocrine tumors, 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 colony stimulating factor-1 receptor, or 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.

In the United States, the FDA granted orphan drug designation to surufatinib for the treatment of pancreatic neuroendocrine tumors in November 2019 and granted Fast Track Designations for the treatment of both pancreatic neuroendocrine tumors and non-pancreatic neuroendocrine tumors in April 2020. In May 2020, we reached an agreement with the FDA that the completed SANET-ep (non-pancreatic NET) and SANET-p (pancreatic NET) studies, along with existing data from surufatinib in U.S. non-pancreatic and pancreatic NET patients, could form the basis to support a NDA submission. Pharmacokinetic and safety data from U.S. Phase Ib neuroendocrine tumor cohorts demonstrated similar profiles of surufatinib between Chinese and U.S. patients.

In December 2020, we initiated a rolling NDA submission for surufatinib for the treatment of pancreatic and non-pancreatic neuroendocrine tumors. We plan to complete the NDA submission in the first half of 2021, which would be 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 a Marketing Authorization Application, or MAA, to the European Medicines Agency, or EMA, based on scientific advice from the EMA Committee for Medicinal Products for Human Use, or CHMP.

We have various additional clinical trials of surufatinib ongoing as a single agent in patients with biliary tract cancer and soft-tissue sarcoma, as well as in combination with checkpoint inhibitors. We also intend to conduct 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 breast cancer with FGFR 1 activation.

Surufatinib is the first oncology candidate 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 best-in-class selective VEGFR 1, 2 and 3 inhibitor in Phase III development

Fruquintinib, which has been approved in China for the treatment of advanced metastatic colorectal cancer, 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 the global best-in-class selective small molecule VEGFR 1, 2 and 3 inhibitor for many types of solid tumors, and we are currently studying fruquintinib in colorectal cancer, gastric cancer, lung 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 150 sites in 14 countries. The FDA granted fast track designation for the development of fruquintinib for the treatment of patients with metastatic colorectal cancer in June 2020. The FDA, EMA and Japanese Pharmaceuticals and Medical Devices Agency, or PMDA, have all 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 overall survival, or OS, that led to fruquintinib approval for metastatic CRC in China in 2018 and additional completed and ongoing supporting studies in metastatic CRC, could support a future NDA for the treatment of patients with third-line and above metastatic colorectal cancer. Preliminary data of U.S. Phase I/Ib colorectal cancer cohorts demonstrated encouraging efficacy in patients refractory or intolerant to Stivarga and Lonsurf.

We are conducting global combination studies of fruquintinib with BeiGene's anti-PD-1 antibody tislelizumab for the treatment of various solid tumor cancers in the United States, Europe and China, including enrolling 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.

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, targeted therapy and chemotherapy drugs. Most notably, we are currently progressing the Savannah study on savolitinib in combination with Tagrisso for treating epidermal growth factor receptor mutation positive, or EGFRm+, non-small cell lung cancer 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 for savolitinib in combination with Imfinzi, AstraZeneca's anti-PD-L1 antibody durvalumab, in MET positive patients with papillary renal cell carcinoma, 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 colorectal cancer.

HMPL-689—potential best-in-class selective PI3Kδ inhibitor

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 17 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—potential first-in-class selective Syk inhibitor for oncology

HMPL-523 is a novel, highly selective, oral inhibitor targeting the spleen tyrosine kinase, or 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 11 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—highly selective IDH 1 and 2 inhibitor with potential in hematological malignancies, gliomas and solid tumors

HMPL-306 is a novel small molecule dual-inhibitor of isocitrate dehydrogenase 1 and 2, or IDH 1 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. U.S. IND applications for solid tumors and hematologic malignancies were cleared in October 2020. We expect to initiate Phase I development in the U.S. during the first half of 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 10th 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.

China Clinical Drug Development

We are the marketing authorization holder of two internally developed innovative oncology medicines (Elunate and Sulanda) and may have a third (savolitinib) if the NDA currently under review is approved. Elunate and Sulanda are being commercialized by our dedicated oncology sales force and supported by our long-standing drug marketing and distribution platforms. Savolitinib, if approved, would be marketed by our global partner AstraZeneca, alongside Tagrisso for the treatment of a type of lung cancer (EGFRm+) estimated to represent approximately half of lung cancer patients in Asia. As these internally developed medicines are being approved and launched, we continue to devote significant resources to the discovery of potential new medicines. We have seven additional drug candidates in earlier stage clinical development and several advanced preclinical drug candidates.

The following table summarizes the status of our China clinical programs as of the date of the filing of this annual report.

Our China Clinical Development Pipeline

* In planning.

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 cancer; 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 = mitogen activated protein kinase; and

Fruquintinib—commercially launched as Elunate in China in colorectal cancer in November 2018

Fruquintinib was first commercially launched in China, marketed by our partner Eli Lilly, in November 2018 for the treatment of advanced colorectal cancer. In January 2020, fruquintininb was included in the NRDL thereby broadening access by advanced colorectal cancer patients in China. Since launch, Eli Lilly deployed a dedicated team of about 140 oncology commercial personnel to market fruquintinib in China. Since October 1, 2020, we took over development and execution of all on-the-ground medical detailing, promotion and local and regional marketing activities for fruquintinib in China, using our 420-person 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.

In addition to its commercial launch in colorectal cancer 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 believe that fruquintinib is a best-in-class VEGFR 1, 2 and 3 inhibitor 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 assumed all planning, execution and decision-making responsibilities for life cycle indication development of fruquintinib in China.

We are conducting Phase Ib/II dose expansion studies in China of fruquintinib with Tyvyt, a PD-1 monoclonal antibody being developed by Innovent Biologics (Suzhou) Co., Inc., or Innovent, in different tumor types, including hepatocellular carcinoma (HCC), endometrial cancer, RCC and CRC. Moreover, Genor is conducting Phase Ib studies of fruquintinib plus geptanolimab, a PD-1 monoclonal antibody, in second-line CRC and NSCLC. Furthermore, we intend to develop fruquintinib in combination with BeiGene's tislelizumab for the treatment of various solid tumor cancers in China.

Surufatinib—commercially launched as Sulanda in China in non-pancreatic neuroendocrine tumors in January 2021; potential first-in-class inhibitor for all advanced neuroendocrine tumors

Surufatinib was approved by the NMPA in December 2020 for the treatment of non-pancreatic neuroendocrine tumors and is now being marketed 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 neuroendocrine tumors 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 420-person in-house oncology drug sales team is now supporting the marketing and commercialization of surufatinib throughout China for this indication.

We have submitted a second NDA in China for surufatinib in advanced pancreatic neuroendocrine tumors supported by our SANET-p study, a Phase III trial in patients with advanced pancreatic neuroendocrine tumors 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 neuroendocrine tumors.

We are commencing combination studies of surufatinib with Tuoyi, a PD-1 monoclonal antibody being developed by Shanghai Junshi Biosciences Co. Ltd., or Junshi, in China, where we are currently enrolling Phase II studies in nine solid tumor indications, including NENs, biliary tract cancer, gastric cancer, thyroid cancer, small cell lung cancer, soft tissue sarcoma, endometrial cancer, esophageal cancer and non-small cell lung cancer.

Phase Ib studies in China in combination with BeiGene's anti-PD-1 antibody, tislelizumab, are in the planning stage. 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.

Savolitinib—NDA filed for potential first-in-class selective MET inhibitor in China

In May 2020, an NDA for savolitinib for the treatment of non-small cell lung cancer 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 American Society of Clinical Oncology 2020 Virtual Scientific Program.

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

HMPL-689—highly selective PI3Kδ inhibitor 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. Based on the highly promising preliminary results, we are now planning registration studies in follicular lymphoma and marginal zone lymphoma in China, which are anticipated to start in mid-2021.

HMPL-523—highly selective Syk inhibitor with potential in hematological cancer and immunological diseases

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 complete 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 intrahepatic cholangiocarcinoma, or IHCC, with FGFR2 fusion that had failed at least one line of systemic therapy, and other solid tumor indications are being investigated. 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—highly selective IDH 1 and 2 inhibitor with potential 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.

Epitinib—clinical-stage EGFR inhibitors

We have completed Phase I/Ib studies of epitinib, an epidermal growth factor receptor, or 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. These include furthering both small molecule and monoclonal antibody therapies which address aberrant genetic drivers; 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.

In addition to the ten clinical-stage assets, we have three more novel oncology drug candidates in late-preclinical stage, including HMPL-653 (targeting solid tumors), HMPL-A83 (targeting solid tumors and hematological malignancies) and HMPL-760 (targeting hematological malignancies). We retain all worldwide rights to these assets and are targeting dual U.S. and China IND submissions during 2021.

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. We are also commencing construction of a large-scale manufacturing plant for innovative drugs in Shanghai. The Shanghai factory will be our largest manufacturing facility, with 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 approximately 315 cities and towns in China with approximately 4,800 mainly 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 marketing third-party prescription drug products and our science-based infant nutrition products, as well as providing commercial services for our own marketed drugs, and (iii) Hutchison Baiyunshan, a non-consolidated joint venture focused on the manufacture, marketing and distribution of primarily own-brand OTC drugs.

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

Our Clinical Pipeline

The following is a summary of the clinical pipeline for our drug candidates, many of which are being investigated against multiple indications.

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, papillary renal cell carcinoma, CRC, gastric cancer and prostate cancer with an acceptable safety profile. In global partnership with AstraZeneca, savolitinib has been studied in over 1,000 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, overexpressed 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.

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.

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 vascular endothelial growth factor, or 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 hepatocyte growth factor, or 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 overexpressed/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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Savolitinib	MET Exon 14 skipping alteration	China	II Registration	NDA accepted (May 2020)	NCT02897479
Savolitinib + Tagrisso	Savannah: 2L/3L EGFRm+; Tagrisso refractory; MET+	Global	II Registration-intent	Ongoing	NCT03778229
Savolitinib + Tagrisso	2L/3L EGFRm+; Tagrisso refractory; MET+	Global	III	In planning	N/A
Savolitinib + Tagrisso	2L EGFR TKI refractory NSCLC; MET+	China	III	In planning	N/A
Savolitinib + Tagrisso	Naïve patients with EGFRm & MET+	China	III	In planning	N/A

Notes: 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 approximately 10,000 new patients per year in China. Current chemotherapies and immunotherapies provide limited efficacy in MET Exon 14 deletion NSCLC patients.

Phase II study of savolitinib monotherapy in NSCLC patients with MET Exon 14 alteration (Status: NDA accepted; NCT02897479)

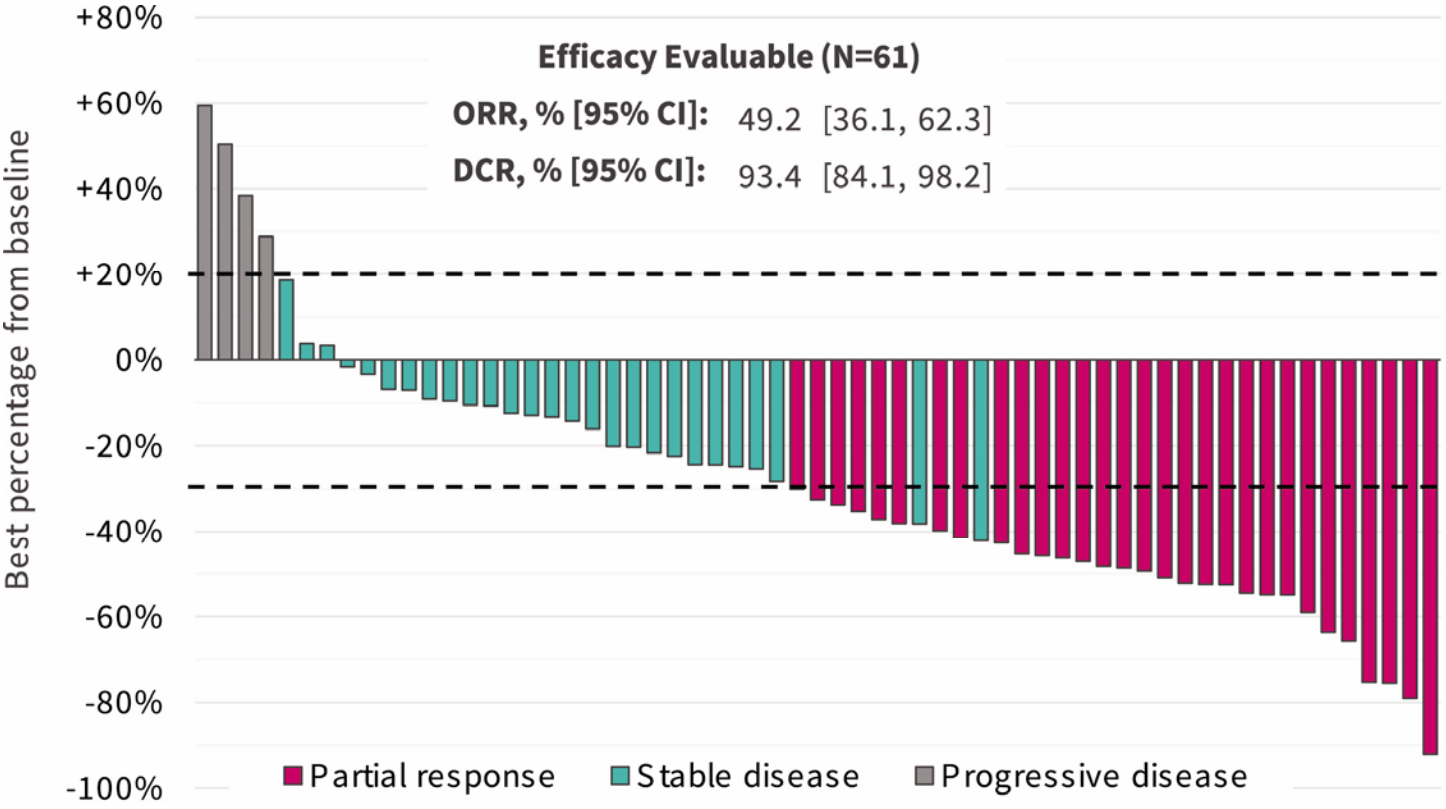
We have completed enrollment of a 70-patient Phase II registration-intent study in China of savolitinib as a monotherapy for MET Exon 14 deletion NSCLC patients who have progressed following prior systemic therapy, or unable to receive chemotherapy.

At the American Society of Clinical Oncology, or 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 carcincoma) and with tolerable safety. Efficacy measurements included the objective response rate, or 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 progression-free survival and median OS.

At data cut-off, in the 61 evaluable patients, ORR was 49.2% and disease control rate was 93.4%. Median duration of response was 9.6 months (95% confidence interval: 5.5–not reached) with maturity of 40%. Median progression-free survival was 9.1 months (95% confidence interval: 4.2–19.3) with maturity of 50%. Median OS was 14.0 months (95% confidence interval: 9.7–not reached) with maturity of 46%. 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 treatment emergent adverse events, or TEAEs, with greater than 5% incidence related to savolitinib treatment were peripheral edema (7%), 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. 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 harbor MET gene amplification based on analysis of tissue samples. This third-line patient population is 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 progression-free survival 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 progression-free survival 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 progression-free survival 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 ≥ 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 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 progression-free survival 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.

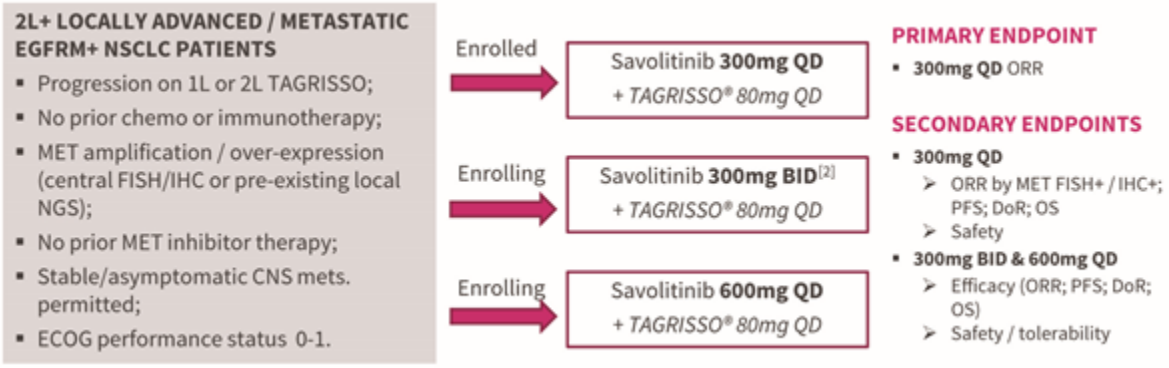
Source: Han JY, Sequist LV, Ahn MJ, et al. Osimertinib + savolitinib in patients with EGFRm MET-amplified/overexpressed NSCLC: Phase Ib TATTON Parts B and D final analysis. Poster presented at: 2021 World Conference on Lung Cancer Singapore; January 28-21, 2021; Virtual. https://bit.ly/3cl7QRE

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 – 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 patient in the second half of 2021.

In-Planning – 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 underway for savolitinib in kidney cancer patients.

Current and Recent Clinical Trials of Savolitinib in Kidney Cancer

Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Savolitinib + Imfinzi	MET-driven, unresectable and locally advanced or metastatic PRCC	Global	III	In planning	N/A
Savolitinib + Imfinzi	CALYPSO: PRCC	U.K./Spain	II	Interim data ASCO GU 2020	NCT02819596
Savolitinib + Imfinzi	CALYPSO: Clear cell RCC; VEGFR TKI refractory	U.K./Spain	II	Ongoing	NCT02819596

Notes: PRCC = papillary renal cell carcinoma; RCC = renal cell carcinoma; ASCO GU 2020 = the American Society of Clinical Oncology's 2020 Genitourinary Cancers Symposium; VEGFRTKI refractory = resistant to prior VEGFR tyrosine kinase inhibitor treatment; Global = more than two countries; PFS = progression free survival; and MET = mesenchymal epithelial transition receptor.

Papillary renal cell carcinoma is the most common of the non-clear cell renal cell carcinomas representing about 14% of kidney cancer, with approximately half estimated to harbor MET-driven disease. No targeted therapies have been approved specifically for papillary renal cell carcinoma, although some efficacy was observed for cabozantinib in an investigator sponsored study, PAPMET, which reported ORR of 23% and median progression-free survival 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 renal cell carcinoma studies of VEGFR (e.g., Sutent) and mammalian target of rapamycin (e.g., Afinitor) tyrosine kinase inhibitors, with ORR of <10% and median progression-free survival 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 papillary renal cell carcinoma patients with a strong correlation to MET gene amplification status. Out of a total of eight papillary renal cell carcinoma 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 papillary renal cell carcinoma 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 papillary renal cell carcinoma, 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 papillary renal cell carcinoma 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 papillary renal cell carcinoma 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 papillary renal cell carcinoma 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 renal cell carcinoma, and MET dysregulation has been considered to play an important role in papillary renal cell carcinoma 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.

<u>CALYPSO study; Phase II study of savolitinib in combination with Imfinzi in both papillary renal cell carcinoma and clear cell renal cell carcinoma patients (status: dose expansion ongoing; NCT02819596)</u>

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 papillary renal cell carcinoma and clear cell renal cell carcinoma patients at sites in the U.K. and Spain.

Interim results of the papillary renal cell carcinoma cohort of the CALYPSO study were presented at the 2020 ASCO's Genitourinary Cancers Symposium and showed encouraging efficacy across all patients, both MET+ and MET-. The interim CALYPSO data reported an ORR of 27% (11/41), while median progression-free survival was 4.9 months (95% confidence interval: 2.5-12.0 months). Median OS was 12.3 months (95% confidence interval: 5.8-21.3 months). For the study's 27 previously untreated patients, the ORR was 33% (9/27). Tolerability was consistent with established single agent safety profiles. There were 13 treatment related CTC grade 3 or above TETAs 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 papillary renal cell carcinoma patients.

In-Planning – Phase III in combination with Imfinzi PD-L1 inhibitor in MET-driven, unresectable and locally advanced or metastatic PRCC

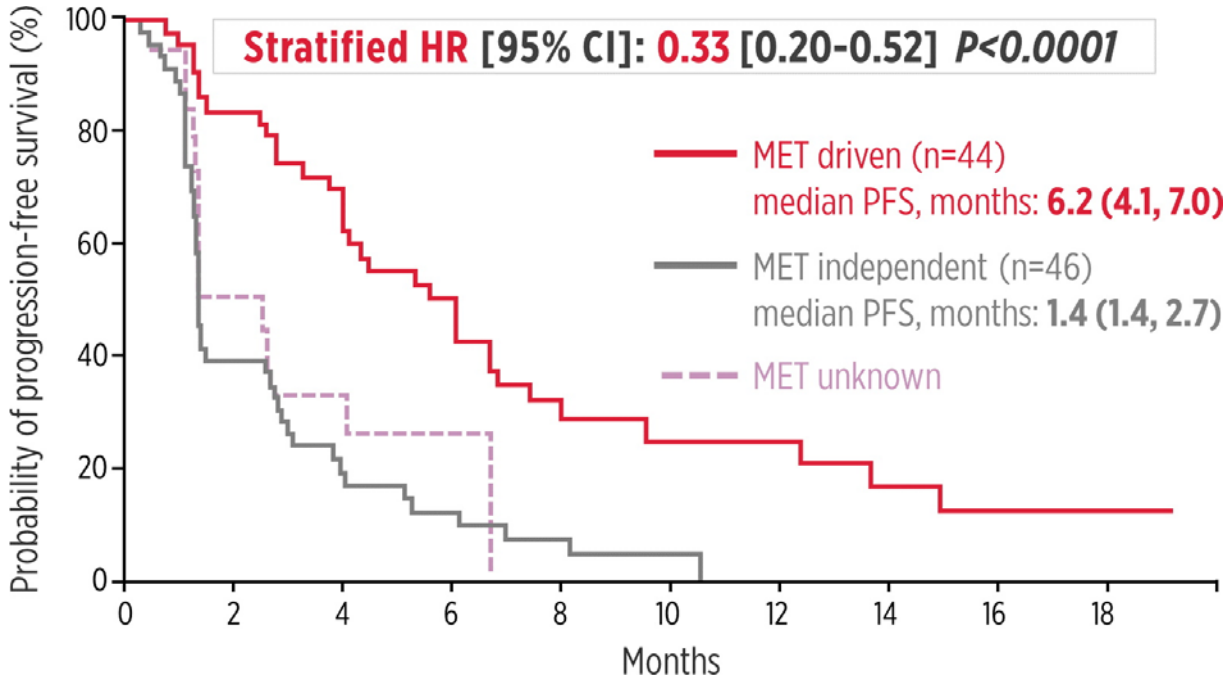
Based on the encouraging results of the SAVOIR and CALYPSO studies, we intend to initiate a global Phase III, open-label, randomized, controlled study of savolitinib plus Imfinzi versus sunitinib monotherapy versus Imfinzi monotherapy in patients with MET-driven, unresectable and locally advanced or metastatic PRCC. The study is expected to begin enrollment by mid-2021.

Savolitinib Monotherapy

Phase II study of savolitinib monotherapy in papillary renal cell carcinoma (Status: completed; NCT02127710)

In early 2017, we presented the results of our global Phase II study in papillary renal cell carcinoma at the ASCO's Genitourinary Cancers Symposium and subsequently published these results in the Journal of Clinical Oncology. Of 109 patients treated with savolitinib, papillary renal cell carcinoma 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 papillary renal cell carcinoma 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 progression-free survival for patients with MET-driven and MET-independent papillary renal cell carcinoma 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<0.0001). 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. 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 Papillary Renal Cell Carcinoma in the United States, Canada and Europe. This Study Clearly Demonstrated MET-Driven Patients had Better Progression-free Survival 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.

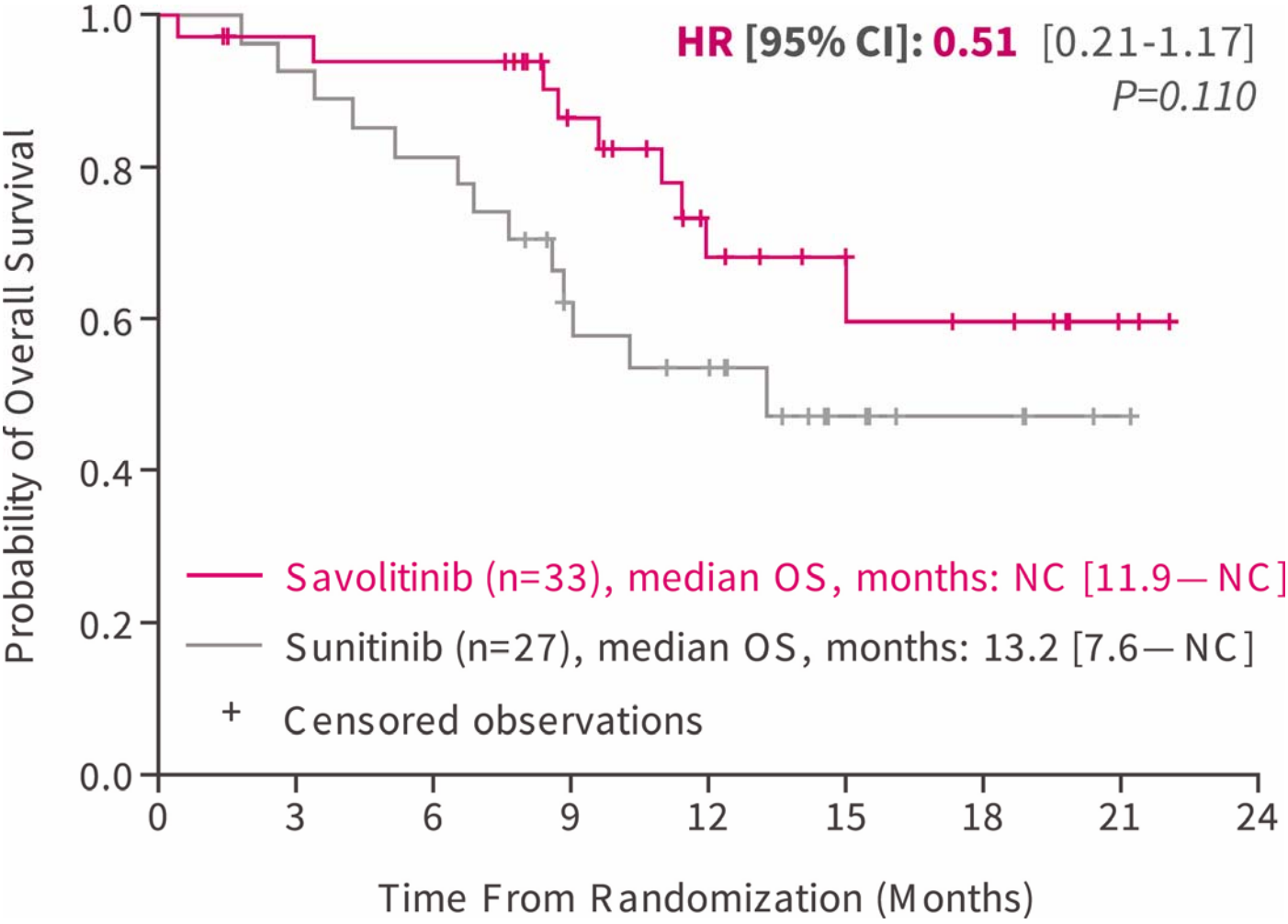
SAVOIR study; Phase III study of savolitinib monotherapy in papillary renal cell carcinoma (Status: enrollment suspended; NCT03091192)

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 papillary renal cell carcinoma. 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 progression-free survival, 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 papillary renal cell carcinoma, we conducted a global molecular epidemiology study, which screened, using our companion diagnostic, archived tissue samples from papillary renal cell carcinoma 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 progression-free survival and OS, in papillary renal cell carcinoma 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 was 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 Papillary Renal Cell Carcinoma 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]
Progression-free survival, 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. * One out of two sunitinib responders remained in response. n = number of patients; CI = confidence interval; DCR = disease control rate; 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 papillary renal cell carcinoma. The study is expected to begin enrollment in mid-2021.

Gastric Cancer

The table below shows a summary of our clinical trial for savolitinib in gastric cancer patients.

Clinical Trial of Savolitinib in Gastric Cancer

Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Savolitinib monotherapy	Gastric cancer (MET amplification) and Viktory	China & South Korea	Ib/II	Completed	NCT01985555/ NCT02449551

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 progression-free survival 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 mid-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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Savolitinib monotherapy	MET-driven mCRC	U.S.	II	Enrolling	NCT03592641

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 candidate 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 neuroendocrine tumors 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.

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 neuroendocrine tumors and biliary tract cancer, or BTC, and in combination with checkpoint inhibitors.

Neuroendocrine tumors

Neuroendocrine tumors begin in the specialized cells of the body's neuroendocrine system. Cells have traits of both hormone-producing endocrine cells and nerve cells. Neuroendocrine tumors are found throughout the body's organ system and have complex and fragmented epidemiology with about 40-60% of neuroendocrine tumors originating in the gastrointestinal tract and pancreas, 20-30% in the lung or bronchus, and a further 20-30% in other organs or unknown origins.

In China, there were about 67,600 newly diagnosed NET patients in 2018 and, while no China prevalence data exists, we believe that there could be over 300,000 patients living with the disease.

Neuroendocrine tumors can be functional, releasing hormones and peptides that cause symptoms like diarrhea and flushing, or non-functional with no symptoms. Early-stage neuroendocrine tumors, which are often functional, can be treated with somatostatin analogue subcutaneous injections, which are approved and reimbursed in China and alleviate symptoms and slow neuroendocrine tumor growth, but have limited tumor reduction efficacy.

Advanced neuroendocrine tumors 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 neuroendocrine tumor 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 Neuroendocrine Tumors

Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Surufatinib monotherapy	SANET-ep: Non-pancreatic NET	China	III	Approved and launched	NCT02588170
Surufatinib monotherapy	SANET-p: Pancreatic NET	China	III	Met primary endpoint; NDA accepted (Sept 2020)	NCT02589821
Surufatinib monotherapy	NETs	U.S.	Ib	NDA rolling submission initiated; est. complete H1 2021	NCT02549937
Surufatinib monotherapy	NETs	Europe	Ib	Expect to file MAA in mid-2021	N/A

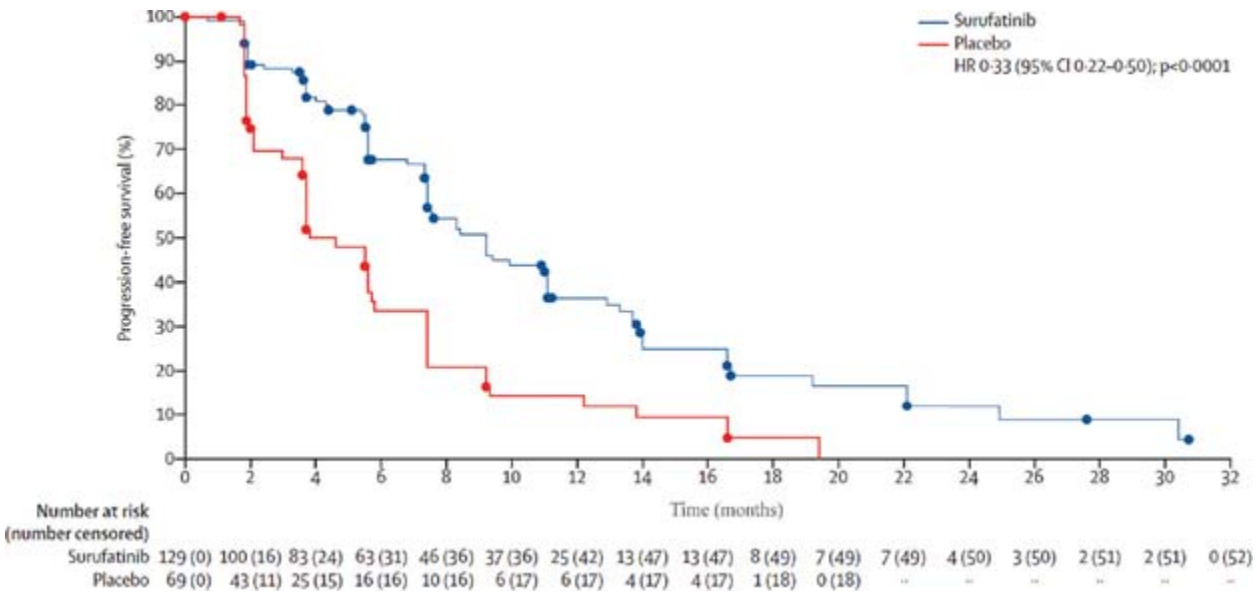
Notes: NET = neuroendocrine tumor; BTC = biliary tract cancer; and MAA = marketing authorization applications.

SANET-ep study; Phase III study of surufatinib monotherapy in non-pancreatic neuroendocrine tumors (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 neuroendocrine tumors. 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 progression-free survival, 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 independent data monitoring committee, or IDMC, to determine that it had met the pre-defined primary endpoint of progression-free survival 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 progression-free survival 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 is 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 (5%).

SANET-ep Clearly Succeeded in Meeting Primary Endpoint of Progression-Free Survival



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.

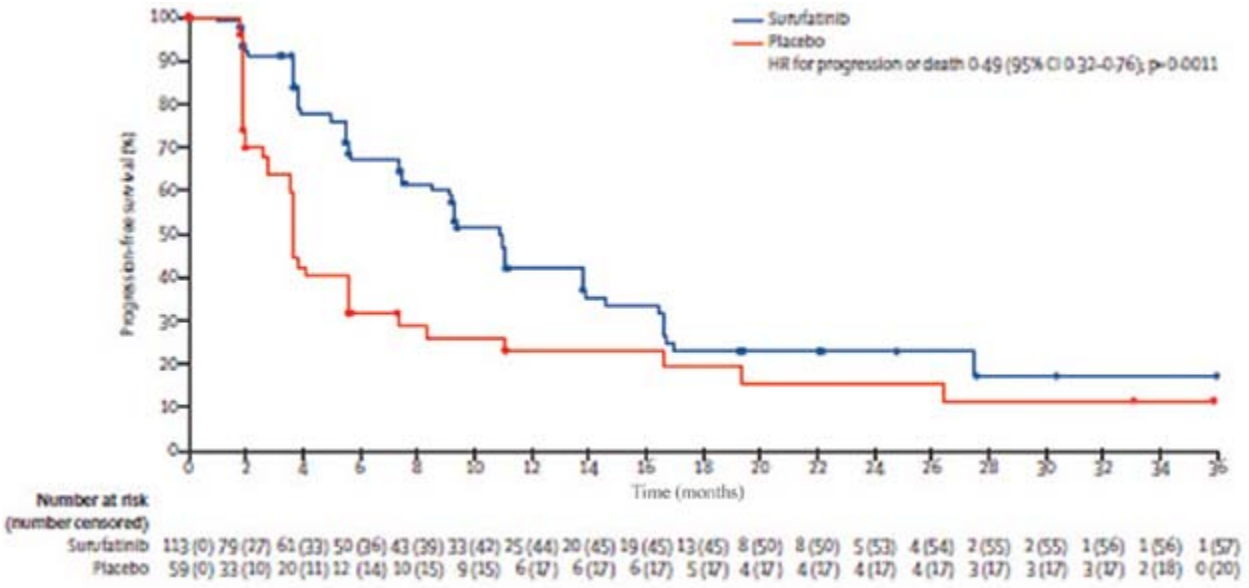
In late 2020, surufatinib was granted approval for drug registration by the NMPA for the treatment of non-pancreatic NET, followed by launch in mid-January 2021 within three weeks of approval. We believe the benefit of surufatinib as a monotherapy to patients with non-pancreatic neuroendocrine tumors 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 neuroendocrine tumors (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 neuroendocrine tumors. 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 progression-free survival, 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 progression-free survival had already been met. 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 Progression-Free Survival



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 neuroendocrine tumors in China in 2018 could be significant as compared to the treatment alternatives currently available to them.

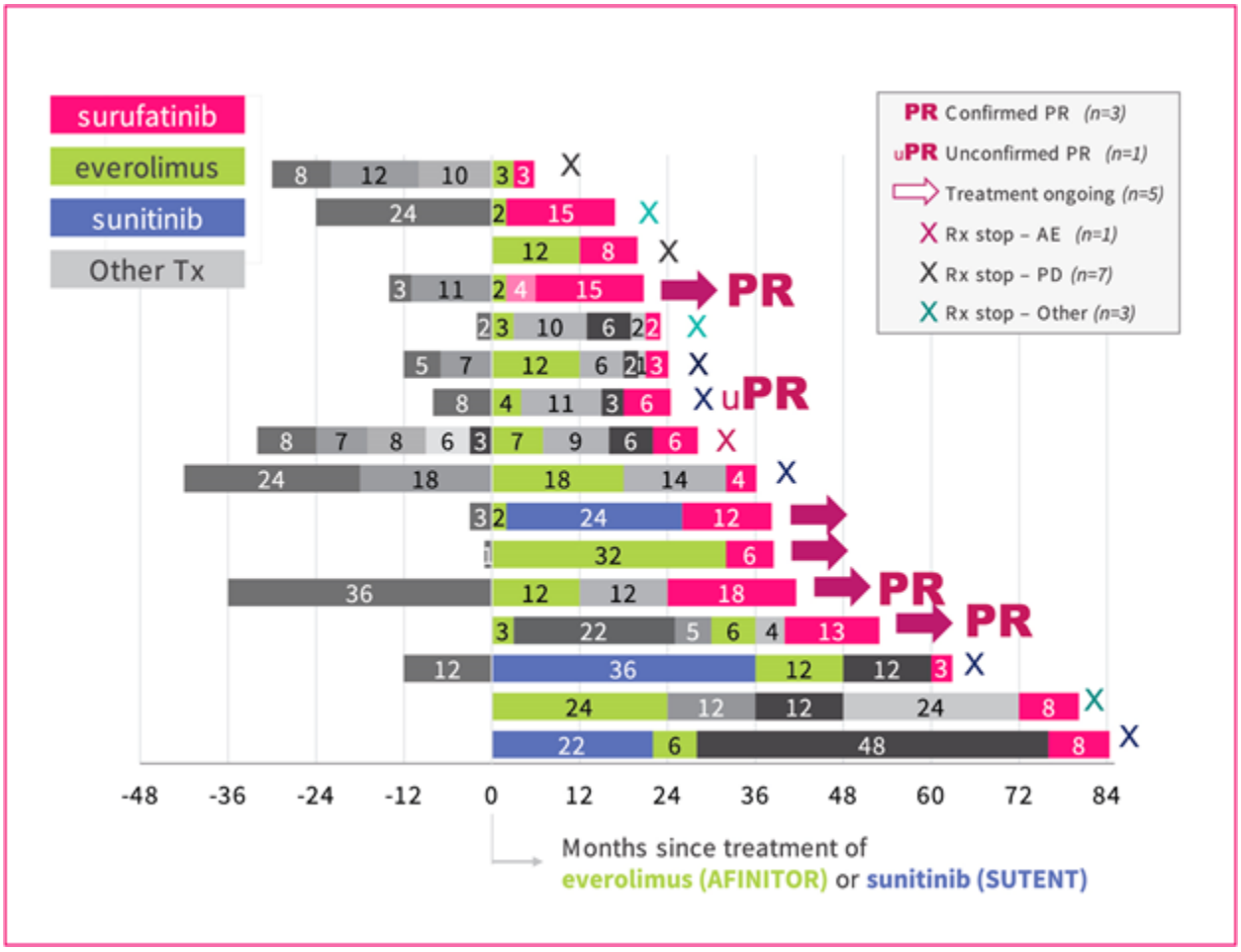
The positive SANET-ep and SANET-p Phase III studies now position surufatinib to potentially be approved in the full spectrum of advanced-NET disease in China. We believe that no other approved targeted therapy can address and treat all subtypes of NETs.

Phase Ib study of surufatinib monotherapy in heavily pretreated progressive neuroendocrine tumors (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 established the U.S. recommended Phase II dose, or RP2D, to be 300 mg, the same as that in China. At ASCO 2020, 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 April 21, 2020, 16 patients with pancreatic NET were treated for a median of 7.1 months (range 2.0-17.5) and 16 patients with non-pancreatic NET were treated for a median of 4.9 months (range of 1.0-10.2). 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 patients; all remaining patients had stable disease (including 1 unconfirmed response), for a DCR of 100%. In the non-pancreatic NET cohort all patients had stable disease (including 1 unconfirmed response).

The FDA granted surufatinib orphan drug designation for the treatment of pancreatic neuroendocrine tumors 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 a 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 plan to complete the NDA submission in the first half of 2021, which would be 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 Neuroendocrine Tumor 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 a major 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 Trial of Surufatinib in BTC

Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Surufatinib monotherapy	Chemotherapy refractory BTC	China	Ib/II	Enrollment complete	NCT02966821
Surufatinib monotherapy	Chemotherapy refractory BTC	China	IIb/III	Ongoing	NCT03873532
Surufatinib monotherapy	BTC and soft tissue sarcoma	U.S.	Ib	Ongoing	NCT02549937

Note: Chemotherapy refractory = resistant to prior chemotherapy treatment; 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.

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 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.

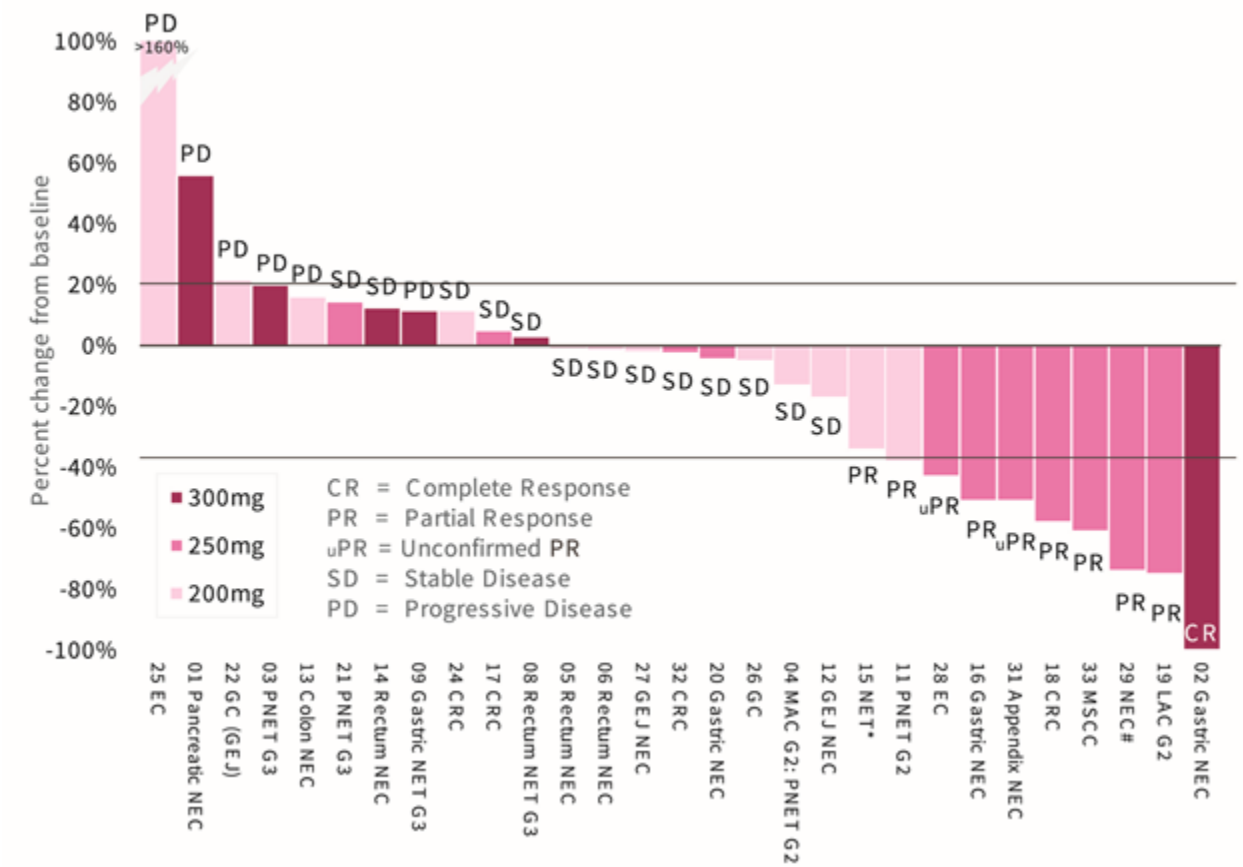
The table below shows a summary of the clinical trials that we have underway or in planning for surufatinib in combination with checkpoint inhibitors.

Clinical Trials of Surufatinib with Checkpoint Inhibitors

Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Surufatinib and Tuoyi (PD-1)	Solid tumors (eight indications)	China	II	Ongoing	NCT03879057
Surufatinib and Tuoyi (PD-1)	Neuroendocrine neoplasms	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	BTC	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	Gastric cancer	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	Small cell lung cancer	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	Soft tissue sarcoma	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	Endometrial cancer	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	Esophageal cancer	China	II	Ongoing	NCT04169672
Surufatinib and Tuoyi (PD-1)	NSCLC	China	II	Ongoing	NCT04169672
Surufatinib and Tyvyt (PD-1)	Solid tumors	China	I	Ongoing	NCT04427774
Surufatinib and tislelizumab (PD-1)	Solid tumors	U.S. / Europe	Ib/II	In planning	NCT04579757

In late 2018, we entered into a global collaboration with Junshi to evaluate the combination of surufatinib with Tuoyi. We have 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 NENs, 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.

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 U.S., Europe, China and Australia. In the first half of 2021, we plan to start an open-label, Phase Ib/II study of surufatinib in combination with tislelizumab in the U.S. 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 the global best-in-class selective small molecule VEGFR inhibitor 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 expanded our role in the commercialization of Elunate on 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, antiangiogenesis 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.

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 be managed 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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Fruquintinib monotherapy	FRESCO: >3L CRC; chemotherapy refractory	China	III	Approved and launched	NCT02314819
Fruquintinib monotherapy	FRESCO-2: mCRC	US/Europe/Japan	III	Ongoing	NCT04322539
Fruquintinib monotherapy	CRC, TN & HR+/Her2 and breast cancer	US	Ib	Ongoing	NCT03251378

Notes: 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)

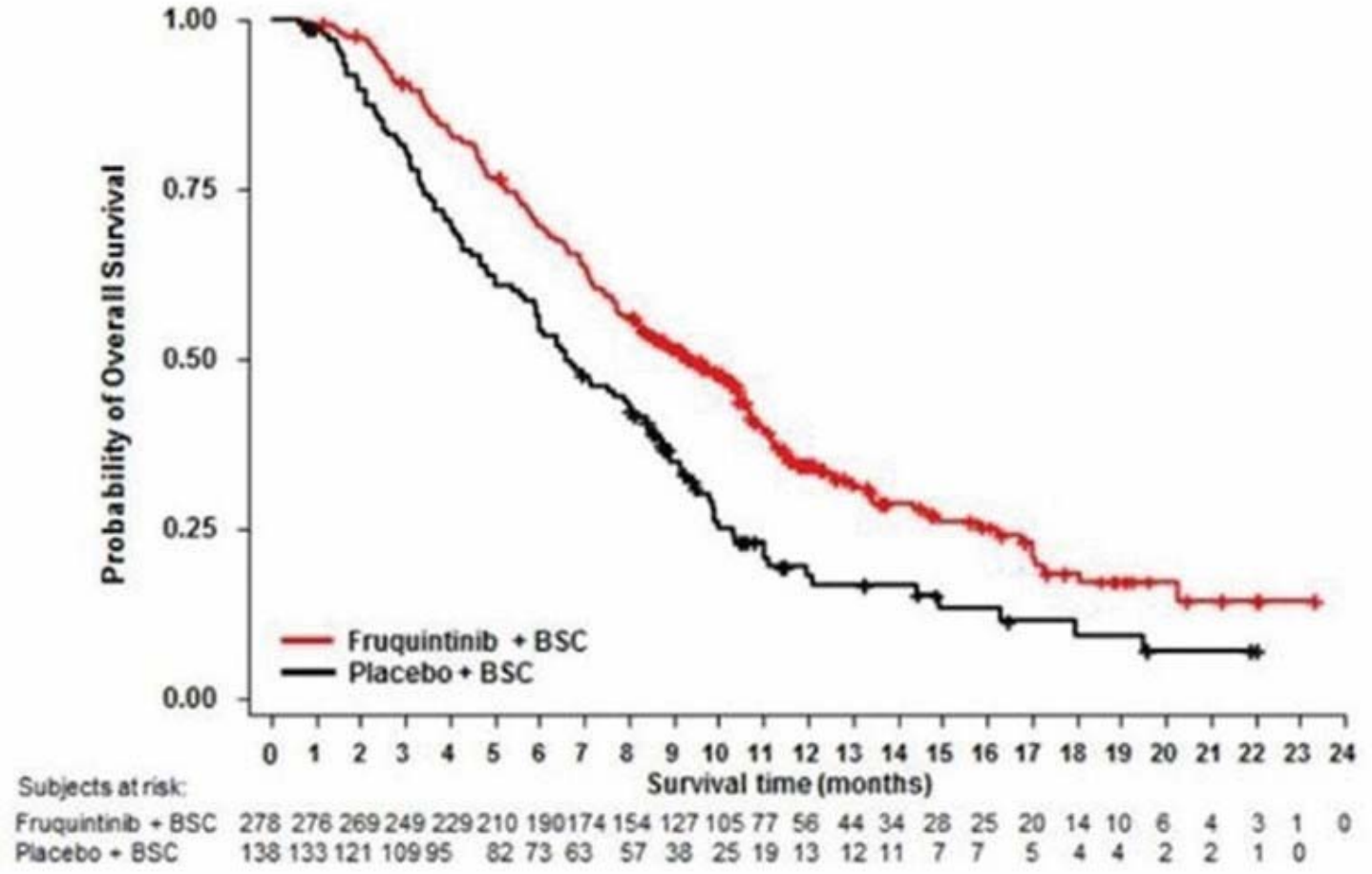
In 2014, we initiated the FRESCO study, which is a randomized, double-blind, placebo-controlled, multi-center, Phase III pivotal trial in China in patients with locally advanced or mCRC who have failed at least two prior systemic antineoplastic therapies, including fluoropyrimidine, Eloxatin and Camptosar. 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 progression-free survival 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 progression-free survival 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 Colorectal Cancer.
FRESCO Clearly Succeeded in Meeting the Primary Efficacy Endpoint of Overall Survival

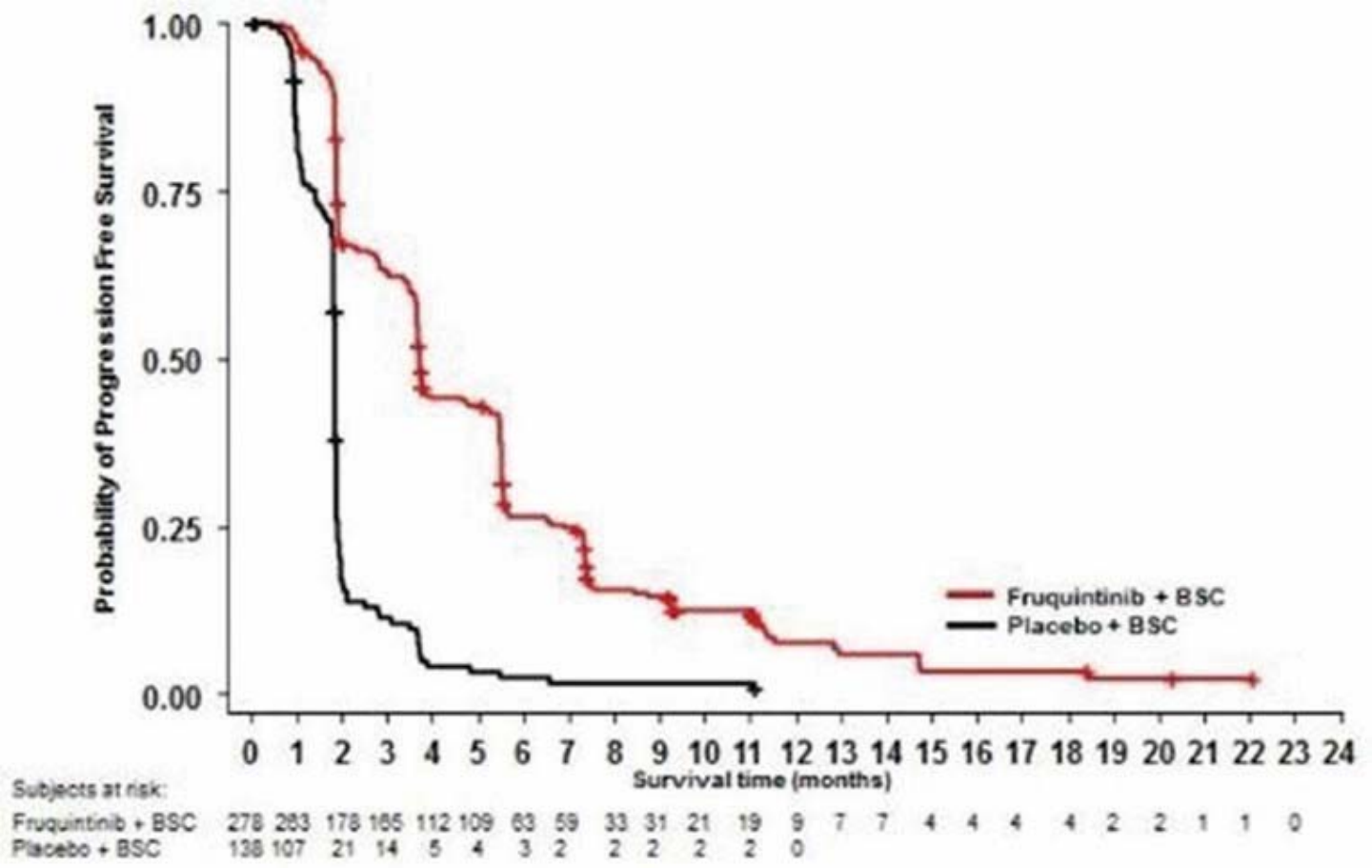


Notes: N = number of patients; BSC = best supportive care; 95% CI = 95% confidence interval; and HR = hazard ratio.

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 progression-free survival 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 Progression-free Survival



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 mCRC: The FRESCO Randomized Clinical Trial. *JAMA*. 2018;319(24):2486 -2496. doi:10.1001/jama.2018.7855.

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 progression-free survival 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 progression-free survival 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 in the placebo group.

In terms of safety, results showed that fruquintinib had a manageable safety profile with lower off-target toxicities compared to other VEGFR tyrosine kinase inhibitors. 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 is 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%).

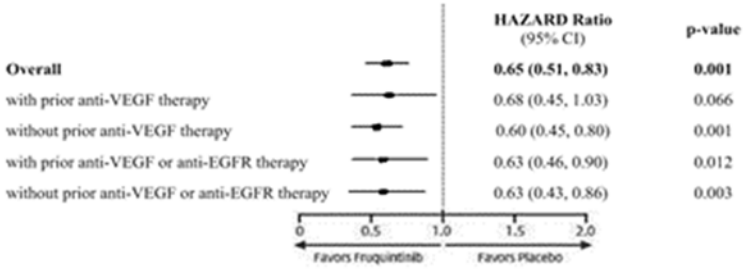
In terms of tolerability, dose interruptions or reductions occurred in only 35% and 24% of patients in the fruquintinib arm, respectively, and only 15% of patients discontinued treatment of fruquintinib due to adverse events versus 6% for placebo. The FRESCO study was published in the Journal of the 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 overall survival and progression-free survival. 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 progression-free survival 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



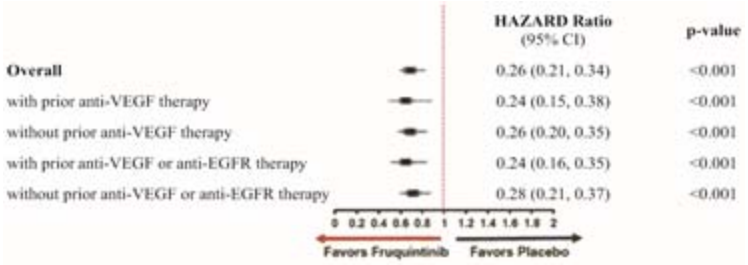
Notes: CI = confidence interval; and p-value = probability value.

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 progression-free survival 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 target therapy, 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 progression-free survival for patients treated with fruquintinib was 3.81 months versus 1.84 months for placebo (hazard ratio = 0.28; p < 0.001).

Progression-free Survival 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, or 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 was launched in November 2018. For more information regarding the Elunate product launch, see "—Overview of Elunate Commercial Launch."

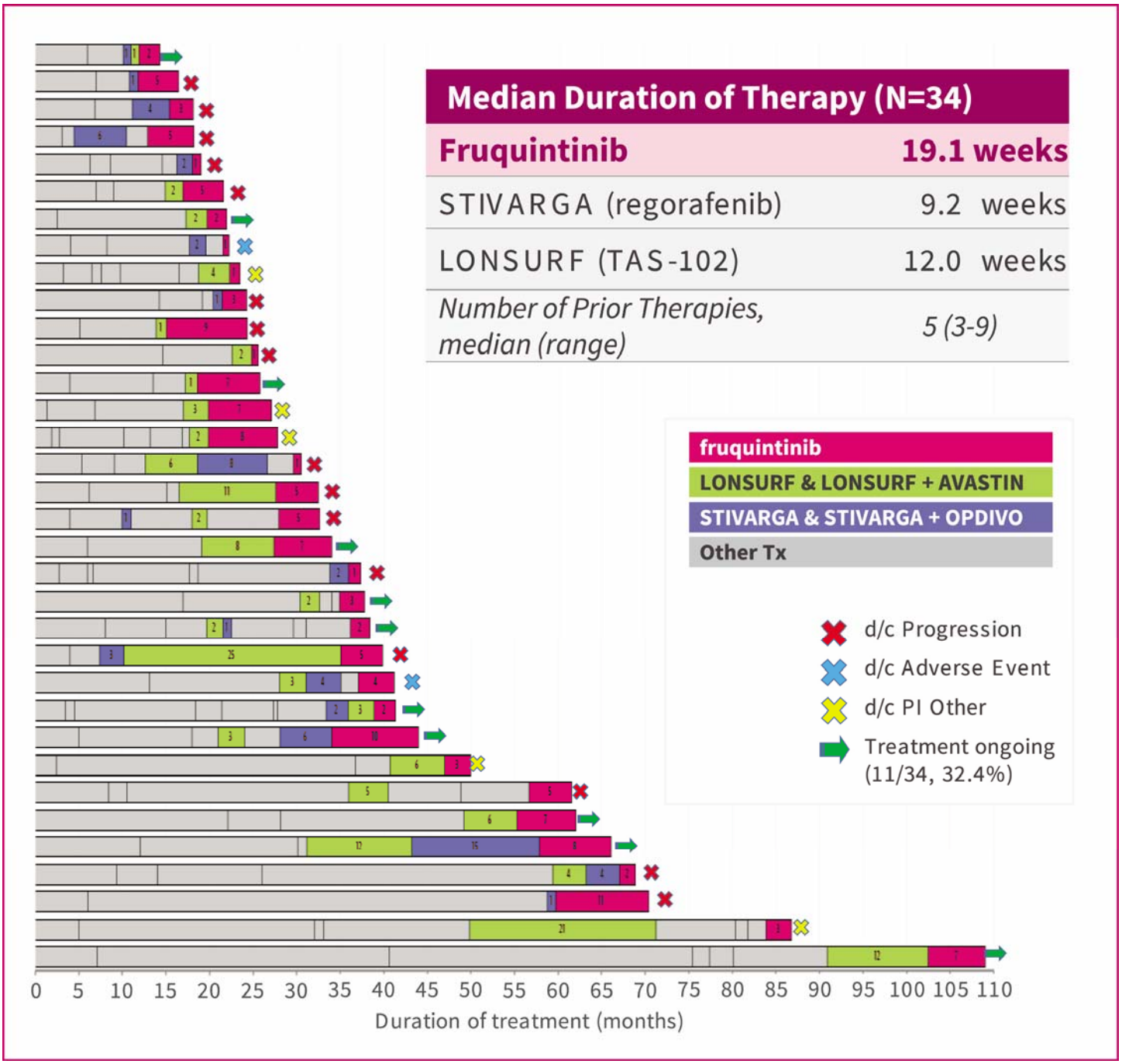
Phase Ib study of fruquintinib monotherapy in metastatic colorectal and breast cancers - U.S. (Status: enrolling; NCT03251378)

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 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 Metastatic Colorectal Cancer 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 1/1b 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 metastatic CRC which is expected to enroll over 680 patients from approximately 150 sites in 14 countries. The first patient was dosed in September 2020 in the U.S. and enrollment is targeted to complete in late 2021.

The U.S. FDA, EMA and Japanese Pharmaceuticals and Medical Devices Agency (PMDA) have all 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 metastatic CRC in China in 2018, and additional completed and ongoing supporting studies in metastatic CRC, could potentially support an NDA for the treatment of patients with metastatic CRC in the third-line setting.

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 442,300 new cases of gastric cancer in China in 2018. 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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Fruquintinib and Taxol	FRUTIGA: 2L gastric cancer	China	III	Ongoing; Completed second interim analysis	NCT03223376

Note: 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 progression-free survival, 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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Fruquintinib and Tyvyt (PD-1)	CRC	China	I/II	Ongoing	NCT04179084
Fruquintinib and Tyvyt (PD-1)	Hepatocellular carcinoma	China	Ib/II	Ongoing	NCT03903705
Fruquintinib and Tyvyt (PD-1)	Endometrial cancer	China	Ib/II	Ongoing	NCT03903705
Fruquintinib and Tyvyt (PD-1)	Renal cell carcinoma	China	Ib/II	Ongoing	NCT03903705
Fruquintinib and Tyvyt (PD-1)	Gastrointestinal tumor	China	Ib/II	Ongoing	NCT03903705
Fruquintinib and tislelizumab (PD-1)	Triple negative breast cancer	U.S.	Ib/II	In planning	NCT04577963
Fruquintinib and tislelizumab (PD-1)	Solid tumors	TBD	Ib/II	In planning	NCT04716634
Fruquintinib and genolimzumab (PD-1)	CRC	China	Ib	Ongoing	NCT03977090
Fruquintinib and genolimzumab (PD-1)	NSCLC	China	Ib	Ongoing	NCT03976856

Note: CRC = colorectal cancer; NSCLC = non-small cell lung cancer; and TBD = to be determined.

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 genolimzumab, 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 genolimzumab in second-line CRC and NSCLC are also underway.

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 primarily to Eli Lilly which we manufacture and sell at cost and, starting in 2020, revenue from promotion and marketing services. In 2019, we generated $10.8 million in total revenue from Elunate, of which $2.7 million was royalty revenue and $8.1 million was revenue from sales to Eli Lilly. In 2020, we generated $20.0 million in total revenue from Elunate, of which $4.9 million was royalty revenue, $11.3 million was revenue from sales of goods primarily to Eli Lilly and $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 in three indications with major unmet medical needs in China: CRC, NSCLC 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 PI3K-γ (gamma), 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 Bruton's tyrosine kinase, or 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 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.

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 protein kinase B, or 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.

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 PI3K-γ.

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

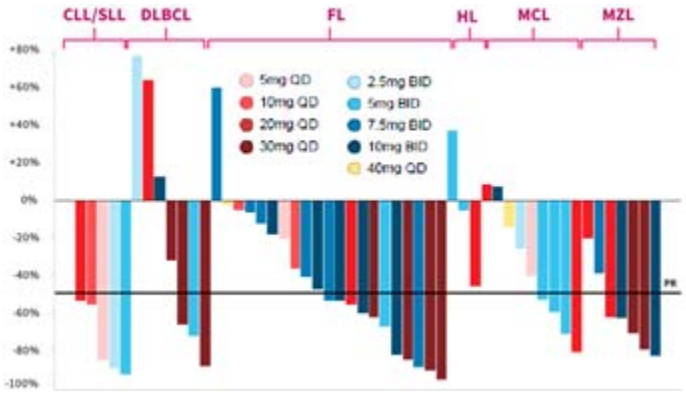
Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
HMPL-689 monotherapy	Indolent non-Hodgkin's lymphoma	China	Ib	Ongoing	NCT03128164
HMPL-689 monotherapy	Indolent non-Hodgkin's lymphoma	China	II registration-intent	In planning	N/A
HMPL-689 monotherapy	Indolent non-Hodgkin's lymphoma	U.S. / Europe	I/Ib	Ongoing	NCT03786926
HMPL-689 monotherapy	Indolent non-Hodgkin's lymphoma	U.S. / Europe	II registration-intent	In planning	N/A

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 21.2% (11/52) 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 lymphoma 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–NA)
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 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. Based on the encouraging preliminary results, we are now planning registration studies in select indolent non-Hodgkin's lymphoma in China, which are anticipated to start in mid-2021.

Phase I/Ib study of HMPL-689 in patients with Indolent non-Hodgkin's lymphoma (Status: enrolling; NCT03786926)

In September 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 mid-2021 to discuss potential registration pathways with a target to initiate registration studies later in 2021.

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.

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.

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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
HMPL-523 monotherapy	Immune thrombocytopenia purpura	China	I/Ib	Ongoing	NCT03951623
HMPL-523 monotherapy	Indolent non-Hodgkin's lymphoma	Australia	Ib	Active, not recruiting	NCT02503033
HMPL-523 monotherapy	Indolent non-Hodgkin's lymphoma	US/EU	I/Ib	Ongoing	NCT03779113
HMPL-523 monotherapy	Multiple sub-types of B-cell malignancies	China	I/Ib	Enrollment completed	NCT02857998

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 now 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

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.

Currently, FGFR monoclonal antibodies, FGF ligand traps and small molecule FGFR tyrosine kinase inhibitors are being evaluated in clinical trials and by regulatory authorities for marketing authorization. These recently approved and late stage molecules provided substantial proof-of-concept with regard to anti-tumor efficacy and pharmacodynamic markers of effective FGFR pathway inhibition. In April 2019, Johnson & Johnson received FDA approval for Balversa in the United States for the treatment of bladder cancer in patients who have susceptible FGFR3 or FGFR2 genetic alterations and experienced disease progression during or after at least one line of chemotherapy. Further studies are either in progress or planning. In April 2020, Incyte received marketing authorization in the United States and in February 2021, the European Medicines Agency's Committee for Medicinal Products for Human Use (CHMP) recommended conditional approval for pemigatinib for the treatment of cholangiocarcinoma, with further studies in progress for additional solid tumor indications. Late stage studies are underway for futibatinib (Taiho, a subsidiary of Otuska), derazantinib (Basilea), and BGJ-398 (QED Therapeutics).

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 potential best-in-class, 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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
HMPL-453 monotherapy	Solid tumors	China	I	Enrollment completed	NCT03160833
HMPL-453 monotherapy	Cholangiocarcinoma (IHCC)	China	II	Ongoing	NCT04353375

Phase I HMPL-453 monotherapy in solid tumors–China (Status: enrollment complete; 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, progression-free survival, 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. 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	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
HMPL-306 monotherapy	Hematological malignancies	China	I	Ongoing	NCT04272957
HMPL-306 monotherapy	Solid tumors & hematological malignancies	U.S.	I	In planning	NCT04762602 / 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–U.S. (Status: ongoing; NCT04762602 / NCT04764474)

In the U.S., IND applications for solid tumors and hematologic malignancies were cleared in October 2020. We expect to initiate Phase I development in the U.S. during the first half of 2021.

8. HMPL-295

HMPL-295, a novel ERK inhibitor, is our 10th 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.

RAS and RAF mutations are present in almost 50% of human cancers, 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.

We currently retain all rights to HMPL-295 worldwide. Planning for the Phase I study in China is now underway and set to start in mid-2021.

9. Epitinib EGFR Inhibitor

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 NSCLC 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, approved EGFR inhibitors such as Iressa and Tarceva cannot penetrate the blood-brain barrier effectively, leaving the majority of patients with 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+ NSCLC patient population to address certain areas of unmet medical needs that represent significant 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.

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 current 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 Trials of Epitinib

Treatment	Name, Line, Patient Focus	Sites	Phase	Status/Plan	NCT #
Epitinib monotherapy	Glioblastoma	China	Ib/II	Enrolling	NCT03231501

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 will be 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.

We have also developed a novel small molecule EGFR inhibitor, theliatinib, for which we have completed a Phase I/Ib study and are evaluating further development strategies.

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). 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 $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.

AstraZeneca

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 $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 papillary renal cell carcinoma, we subsequently agreed to contribute up to $50 million and to share any additional costs equally with AstraZeneca. As of December 31, 2020, we had received $24.9 million in milestone payments in addition to approximately $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 papillary renal cell carcinoma, under the amended 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 adjustment 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.

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 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.

Eli Lilly paid a $6.5 million upfront fee following the 2013 execution of the Eli Lilly Agreement, 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 $37.2 million in milestone payments in addition to approximately $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.

Development, collaboration and manufacture of products under this agreement are overseen by a joint steering committee comprised of equal numbers of representatives from each party. Under the terms of our 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.

Once development is complete, Eli Lilly is obligated to use commercially reasonable efforts to commercialize products and bears all the costs and expenses incurred in such commercialization efforts until the achievement of a non-fruquintinib related Eli Lilly commercial action.

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 U.S., 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 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. 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 the 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 mainland China. For each of the drug candidates, Chi-Med will be entitled to development milestones of up to $95 million and up to $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, a collaboration in China with Genor to evaluate the fruquintinib combination with genolimzumab (a PD-1 monoclonal antibody being developed by Genor) 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 40 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.

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 holds 74 drug product manufacturing licenses, of which 17 are included in the 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, or National Essential Medicines List, and three are in active production. The factory is operated by over 530 manufacturing staff.

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. SXBX pill is the third largest botanical prescription drug in this indication in China, with market share in 2020 of 18.3% (2019: 17.9%) nationally and 47.5% (2019: 51.0%) 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. SXBX 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. SXBX 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.

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 over 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 had 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 legal proceedings to seek for damages.

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.

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 $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 $40 million in compensation. Hutchison Baiyunshan is expected to receive approximately $60 million in 2021, of which approximately $17 million is subject to the Guangzhou government's confirmation of the completion of the remaining administrative procedures before June 2021. The land return had no impact on manufacturing operations, which continue to be conducted at larger sites in Guangzhou and Bozhou.

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.

Competition

Oncology/Immunology Competition

The biotechnology and pharmaceutical industries are highly competitive. While we believe that our highly selective drug candidates, experienced development team and chemistry-focused scientific approach provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and/or new drugs that may become available in the future.

We compete in the segments of the pharmaceutical, biotechnology and other related markets that address inhibition of key biological pathways in cancer and immunological diseases. There are other companies working to develop kinase inhibitors and monoclonal antibodies as targeted therapies for cancer and immunological diseases. These companies include divisions of large pharmaceutical companies and biotechnology companies of various sizes.

Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of drug candidates, obtaining regulatory approvals of products and the commercialization of those products. Accordingly, our competitors may be more successful than we may be in obtaining approval for drugs and achieving widespread market acceptance. Our competitors' drugs may be more effective, or more effectively marketed and sold, than any drug we may commercialize and may render our drug candidates obsolete or non-competitive before we can recover the expenses of developing and commercializing any of our drug candidates. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available.

Below is a summary of existing therapies and therapies currently under development that may become available in the future which may compete with each of our clinical-stage drug candidates.

Savolitinib

While there are currently no approved selective MET inhibitors on the market in China, two selective MET inhibitors are on the market in the US and Japan: Tepmetko (tepotinib) and Tabrect (capmatinib) are approved for MET exon 14 skipping NSCLC with additional programs underway focused on lung cancer. Other selective MET inhibitors in development include telisotuzumab / telisotuzumab vedotin (in Phase I/II for advanced solid tumors, including NSCLC), TPX-0022 (in early-stage clinical development for advanced solid tumors), AMG 337 (in Phase II for advanced or metastatic clear cell sarcoma harboring the EWSR1-ATF1 gene fusion), and glumetinib (in Phase I/II in China for advanced solid tumors, including MET-altered NSCLC). Sym-015 is a bi-specific antibody that binds to non-overlapping epitopes on the extracellular domain of the Met receptor tyrosine kinase (in Phase IIa development).

Approved compounds that inhibit MET as well as other kinases include Xalkori (crizotinib) (ALK, ROS1 and MET inhibitor marketed for NSCLC) and Cabometyx (cabozantinib) (VEGFR/MET/Ret inhibitor approved for renal cell carcinoma and liver cancer as well as in development for genitourinary cancers). Amivantamab (JNJ-61186372) (EGFR/MET bi-specific antibody) is under regulatory review for NSCLC harboring EGFR exon 20 insertion mutation and in late-stage development for EGFRm+ NSCLC. MP0250 (VEGF-A/HGF inhibitor) is in development for multiple myeloma. Merestinib (MST1R, FLT3, AXL, MERTK, TEK, ROS1, DDR1/2, MKNK1/2 and MET inhibitor) is in development for advanced solid tumors, including NSCLC.

Surufatinib

Sutent (VEGFR inhibitor) and Afinitor (mTOR inhibitor) have been approved for the treatment of pancreatic neuroendocrine tumors. Somatuline Depot (Lanreotide) is a growth hormone release inhibitor that has been approved for the treatment of gastroenteropancreatic neuroendocrine tumors. Sandostatin (octreotide) is a growth hormone and insulin-like growth factor-1 inhibitor that has also been approved for neuroendocrine tumors. Lutathera (Lu-dotatate), a somatostatin receptor targeting radiotherapy, has been approved by the FDA for the treatment of somatostatin receptor positive gastroenteropancreatic neuroendocrine tumors. Furthermore, small molecules, monoclonal antibodies and radiotherapies are being developed for the treatment of neuroendocrine tumors. Compounds undergoing development for neuroendocrine tumors include Inlyta (axitinib, tyrosine kinase inhibitor), and Vargatef (nintedanib, a tyrosine kinase inhibitor). Cometriq (an additional brand name for cabozantinib) has been marketed for thyroid cancer and is being studied for neuroendocrine tumors. In addition, Avastin is an anti-VEGF monoclonal antibody being studied for neuroendocrine tumors.

Fruquintinib

Approved VEGF inhibitors on the market for the treatment of CRC include Avastin (anti-VEGF monoclonal antibody), Cyramza (anti-VEGFR2 monoclonal antibody), Stivarga (VEGFR/TIE2 inhibitor) and Zaltrap (ziv-aflibercept) (VEGF inhibitor). Cyramza is additionally approved for the treatment of NSCLC, gastric cancer, and a certain type of liver cancer. Avastin is approved for NSCLC and nintedanib is approved for the treatment of lung disease associated with fibrosis (under the name Ofev) as well asadeno-NSCLC in Europe (under the name Vargatef). Other VEGFR inhibitors being developed for the treatment of NSCLC include Cabometyx, Lenvima (lenvatinib), lucitanib and Caprelsa. VEGFR inhibitors being developed for the treatment of gastric cancer include dovitinib, telatinib and Stivarga. In China, Aitan (apatinib) has been approved for the treatment of third-line gastric cancer and Focus-V (anlotinib) has been approved for the treatment of third-line NSCLC.

HMPL-523 and HMPL-689

There has been extensive research on oral small-molecule Syk inhibitors due to the major unmet medical need in inflammation and oncology. However, many Syk inhibitors have failed in the development stage due to their off-target toxicity as a result of lower kinase selectivity and possibly poor pharmacokinetic properties. The only small molecule drug candidate targeting Syk specifically has been approved to date is Tavalisse for the treatment of chronic immune thrombocytopenia. Lanraplenib (GS-9876) is a Syk inhibitor that has been studied for autoimmune diseases, but not currently in active development. Syk inhibitors currently in clinical studies for hematological cancers include entospletinib (AML harboring NPM1c or FLT3 mutations), and cerdulatinib (lymphoma).

All three of the first generation PI3K inhibitors have boxed warnings in their prescribing information pertaining to safety and adverse events. Zydelig is a PI3Kδ inhibitor that has been approved for the treatment of relapsed follicular lymphoma, small lymphocytic lymphoma as a monotherapy and for the treatment of chronic lymphatic leukemia in combination with Rituxan. Copiktra (duvelisib, PI3K-δ/γ dual inhibitor) has been approved for relapsed/refractory chronic lymphocytic leukemia/small lymphocytic lymphoma and follicular lymphoma as a monotherapy. In February 2021, Ukoniq (umbralisib) was approved for the treatment of relapsed or refractory marginal zone lymphoma and follicular lymphoma. Aliqopa (copanlisib, pan-PI3K inhibitor) also has been approved for relapsed follicular lymphoma as a monotherapy. In addition, several drug candidates that inhibit PI3Kδ are in clinical development for hematological cancers, including parsaclisib, zandelisib (ME-401), ACP 319 and YY-20394.

In addition, Janus tyrosine kinase, or JAK, inhibitors such as Xeljanz (tofacitinib JAK-3 inhibitor, marketed for rheumatoid arthritis and in development for ulcerative colitis, Crohn's disease and myelofibrosis), Jakafi (ruxolitinib, JAK-1/2 inhibitor, marketed for myelofibrosis and in development for acute myelogenous leukemia), Olumiant (baricitinib, JAK-1/2 inhibitor marketed for rheumatoid arthritis), filgotinib (JAK-1 inhibitor in development for rheumatoid arthritis, ulcerative colitis and Crohn's disease) and upadacitinib (JAK-1 inhibitor in development for rheumatoid arthritis, Crohn's disease, ulcerative colitis, atopic dermatitis, psoriatic arthritis and axial SpA).

HMPL-453

To date, Balversa and Pemazyre are the only approved therapies that specifically target the FGFR signaling pathway. Late stage studies are underway for futibatinib, derazantinib, and infigratinib (BGJ-398). Several small molecule FGFR tyrosine kinase inhibitors are in clinical trials for solid tumors, including AZD4547, rogaratinib, fisogatinib (BLU-554), famitinib, Debio 1347, E7090, ICP-192, ICP-105, ASP5878, FGF401, RLY-4008 and HH185. Additionally, a FGFR specific monoclonal antibody, bemarituzumab, is in development.

HMPL-306

Tilbsovo (ivosidenib) is an approved therapy that specifically inhibits IDH1 while Idhifa (enasidenib) is an approved therapy that specifically inhibits IDH2. To date, there are no approved therapies that inhibit both IDH1 and IDH2, which could be advantageous in deferring resistance to therapy. A pan-IDH inhibitor, vorasidenib, is currently in late stage development for glioma. IDH1 inhibitors in development include olutasidenib (FT-2102), BAY1436032, DS-1001b and LY3410738.

Epitinib

Although no EGFR tyrosine kinase inhibitors have been specifically approved for NSCLC with brain metastasis or primary brain tumor, Tagrisso has been found to have an effect on brain metastasis in advanced lung cancer. Additional approved treatments of NSCLC with EGFR activating mutations have shown some activities in these settings, including Gilotrif (EGFR/HER2 inhibitor), Iressa and Tarceva. Further, AZD3759 is currently being studied in China for the treatment of advanced NSCLC that has metastasized to the central nervous system.

Other Ventures Competition

Our Other Ventures operations which focus on prescription drugs compete in the pharmaceutical industry in China, which is highly competitive and is characterized by a number of established, large pharmaceutical companies, as well as some smaller emerging pharmaceutical companies. This business faces competition from other pharmaceutical companies in China engaged in the development, production, marketing or sales of prescription drugs, in particular cardiovascular drugs.

The barrier to entry for the PRC pharmaceutical industry primarily relates to regulatory requirements in connection with the production of pharmaceutical products and new product launches. The identities of the key competitors with respect to our prescription drugs business vary by product, and, in certain cases, different competitors that have greater financial resources than us may elect to focus these resources on developing, importing or in-licensing and marketing products in the PRC that are substitutes for our products and may have broader sales and marketing infrastructure with which to do so.

We believe that we compete primarily on the basis of brand recognition, pricing, sales network, promotion activities, product efficacy, safety and reliability. We believe our continued success will depend on our business's capability to: maintain profitability of its core product, She Xiang Bao Xin pills, obtain and maintain regulatory approvals, develop drug candidates with market potential, maintain an efficient operational model, apply technologies to production lines, attract and retain talented personnel, maintain high quality standards, and effectively market and promote the products sold by our prescription drugs business. Key competitors for She Xiang Bao Xin pills include Tasly Holding (Compound Danshen Dropping Pill) and Shijiazhuang Yiling Pharmaceutical (Tong Xin Luo Capsule).

Our Other Ventures operations which focus on consumer health products competes in a highly fragmented market in Asia, particularly in our primary market in China. We believe that this business competes primarily on the basis of brand recognition, pricing, sales network, promotion activities, product safety and reliability. We believe our continued success will depend on our business's capability to: maintain profitability of its core products, Fu Fang Dan Shen tablets and Banlangen granules, differentiate its products vis-a-vis those of competitors, successfully market and distribute in-licensed products such as Earth's Best infant formula, maintain an efficient operational model, attract and retain talented personnel, maintain high quality standards, and effectively market and promote the products sold by our business. In China, Fu Fang Dan Shen tablets and Banlangen granules are generic over-the-counter drugs marketed by several manufacturers. Key competitors include Shanghai LeiYunShang Pharmaceutical, Yunnan Baiyao and Beijing Tongrentang in the Fu Fang Dan Shen market, and include Beijing Tongrentang and Guangzhou Xiangxue Pharmaceutical for the Banlangen market.

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 Oncology/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 Biopharma Co. Ltd.

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 jurisdictions, 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.

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 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.

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.

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 13, 2019) 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 Item 7.B. "Related Party Transactions—Relationship with CK Hutchison—Intellectual

property licensed by the CK Hutchison group" for more 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 royal-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 Item 3.D. "Risk Factors—Certain of our joint venture parties 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."

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 joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan.

Certificates and Permits

Hutchison MediPharma (Suzhou) Limited holds a pharmaceutical manufacturing permit issued by its local regulatory authority expiring on September 13, 2025. It also holds a good manufacturing practice, or 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 good supply practice, or 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 April 21, 2020.

Hutchison Baiyunshan holds a pharmaceutical manufacturing permit issued by its local regulatory authority expiring on November 26, 2025. Hutchison Baiyunshan 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 GMP certificate issued by its local regulatory authority expiring on February 28, 2021. It also holds a pharmaceutical manufacturing license issued by its local regulatory authority expiring on October 25, 2025.

Regulation

This section sets forth a summary of the most significant rules and regulations affecting our business activities in China and the United States.

Government Regulation of Pharmaceutical Product Development and Approval

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 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 the 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 reserved. 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 ($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 of pharmaceutical products and the 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.

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 authorization 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 Ib 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 authorization 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 of the examinations;

- 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 E.U. 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 registered 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" system in ten provinces in China, where the market authorization/drug license holders are no longer required to be the actual manufacturers. The "marketing authorization holder" 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 marketing authorization holder system in ten provinces in China. Under the marketing authorization holder system, domestic drug research and development institutions and individuals in the pilot regions are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorization holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and are also located within the pilot regions. Drugs that qualify for the marketing authorization holder 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 marketing authorization holder 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 marketing authorization holder 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 marketing authorization holder is permitted to entrust several drug manufacturers under the drug quality management system established by the marketing authorization holder. The marketing authorization holder 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 marketing authorization holder system has become a national system. Pursuant to the latest amendment, the legal representative and the key person-in-charge of a drug marketing authorization holder 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, and neither may pharmaceutical retailers engage in wholesale.

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 distributed pharmaceutical products;
- quality management system and personnel compatible to the distributed pharmaceutical products; and
- rules and regulations to ensure the quality of the distributed pharmaceutical products.

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. 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 Item 4.B. "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.

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 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 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 REMS 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 4 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 $2,875,842. PDUFA also imposes a program fee for prescription human drugs $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 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 FDA to designate the product for a specific indication as a fast track product concurrent with or after the filing of the IND for the drug candidate. The FDA must make a fast track designation determination within 60 days after receipt of the sponsor's request.

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

Priority Review

The FDA may give a priority review designation to drugs that offer 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 4 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 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. 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, 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, 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 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 4 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.

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 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.

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.

Coverage and Reimbursement

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 expects the Pilot Urban Resident Basic Medical Insurance to cover the whole nation by 2010.

Participants of the National Medical Insurance Program and their employers, if any, are required to contribute to the payment of insurance 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 NRDL, 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. MOH promulgated the National Essential Medicines List (Catalog for the Basic Healthcare Institutions) on August 18, 2009, and promulgated the revised National Essential Medicines List 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 National Essential Medicines List. The drugs listed in National Essential Medicines List shall be purchased by centralized tender process and shall be subject to the price control by the NDRC. Remedial drugs in the National Essential Medicines List 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 Pharmaceutical Administration Law and the Regulations of Implementation of the Law of the People's Republic of China on the Administration of Pharmaceuticals, 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 National Essential Medicines List 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 Low Price Drug List, or 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 ($0.46) per day and RMB5.0 ($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 National Essential Medicines List (the procurement of which shall comply with the relevant rules on National Essential Medicines List), 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. The centralized tender process is in principle 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 for the centralized tender process. 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.

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 $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 CMS 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.

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 E.U. 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 E.U. do not follow price structures of the United States and generally tend to be significantly lower.

Other Healthcare Laws

Other PRC Healthcare Laws

Advertising of Pharmaceutical Products

Pursuant to the Provisions for Drug Advertisement Examination, which were promulgated on March 13, 2007, effective on May 1, 2007 and subsequently amended on December 21, 2018, an enterprise seeking to advertise its drugs must apply for an advertising approval code. The validity term of an advertisement approval number for pharmaceutical drugs is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval number shall be obtained.

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 for 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 People's Republic of China effective on November 1, 2002 and subsequently amended on December 1, 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 ($76.34) to RMB3,000 ($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 province in two years from public of the record, 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 and recall of products 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.

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 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 $150,000 per year (or up to an aggregate of $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.

PRC Regulation of Foreign Currency Exchange, Offshore Investment and State-Owned Assets

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.

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.

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.

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.

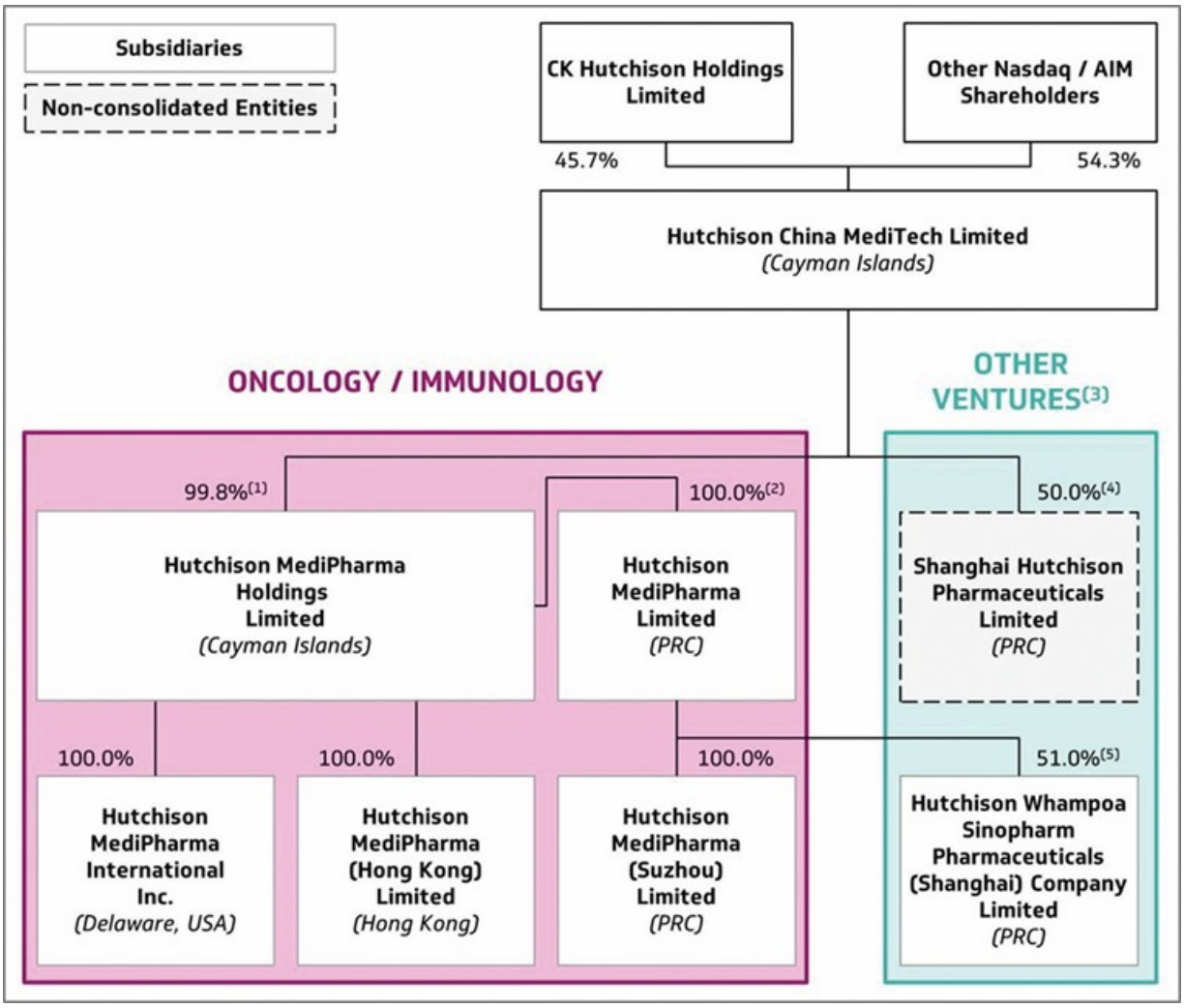
Filings and Approvals Relating to State-Owned Assets

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 and investing in an entity that was previously owned by a state-owned enterprise 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 all three instances, our joint venture partners have informed us that they 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 of state-owned assets, although we are currently unable to obtain copies of certain filing and approval documents of 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 of state-owned assets.

C. Organizational Structure

The chart below shows our organizational structure, including our principal subsidiaries and joint ventures, as of March 1, 2021.



Notes:

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

(2) Held through Hutchison MediPharma (HK) Investment Limited, a 100.0% subsidiary of Hutchison MediPharma Holdings Limited. Hutchison MediPharma Limited's revenue generated by sales of, and royalties, manufacturing costs and services fees paid in connection with, our current and future internally developed drug candidates are allocated to the Oncology/Immunology operations.

(3) Our Other Ventures also include: (i) Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (in which the Company holds 50.0% through our 80.0% owned subsidiary Hutchison BYS (Guangzhou) Holding Limited), a non-consolidated joint venture with Guangzhou Baiyunshan Pharmaceutical Holdings Co. Limited which holds the other 50.0%, and (ii) Hutchison Hain Organic Holdings Limited, 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.

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

(5) Sinopharm Group Co. Limited is the other 49.0% joint venture partner.

D. Property, Plants and Equipment

We are headquartered in Hong Kong where we have our main administrative offices. Our 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 has a 78,000 square meter facility outside of Shanghai.

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.

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 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 manufacturing base. See "—Other Ventures—Shanghai Hutchison Pharmaceuticals" and "—Other Ventures—Hutchison Baiyunshan" for more details on our manufacturing operations.

Please also 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.

Additionally, 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.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations together with Item 3.A. "Selected Financial Data," our consolidated financial statements and the related notes and our non-consolidated joint ventures' consolidated financial statements and the related notes appearing elsewhere in this annual report. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this annual report are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. In evaluating our business, you should carefully consider the information provided under Item 3.D. "Risk Factors." Actual results could differ materially from those projected in the forward-looking statements.

A. Operating Results.

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 600 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 are filing a rolling NDA in the United States. We have six additional drug candidates in earlier stage clinical development 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 significant 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 $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 $102.4 million, $127.4 million and $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 platforms 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 $41.4 million, $41.5 million and $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 anticipate that we will be 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 $214.1 million, $204.9 million and $228.0 million for the years ended December 31, 2018, 2019 and 2020, respectively. Net loss attributable to our company was $74.8 million, $106.0 million and $125.7 million for the years ended December 31, 2018, 2019 and 2020, respectively.

Basis of Presentation

Our consolidated statements of operations data presented herein for the years ended December 31, 2020, 2019 and 2018 and our consolidated balance sheet data presented herein as of December 31, 2020 and 2019 have been derived from our audited consolidated financial statements, which were prepared in accordance with U.S. GAAP, and should be read in conjunction with those statements which are included elsewhere in this annual report.

As a consequence of our recent commercialization of both Elunate and Sulanda and the possible approval and launch of savolitinib, we have changed the manner in which we report results in our financial statements. Effective from the year ended December 31, 2020, we will report two segments, (1) Oncology/Immunology, covering all activities related to oncology/immunology including sales, marketing, manufacturing and research and development with respect to our drugs and drug candidates; and (2) Other Ventures, which includes all other Hutchmed businesses. We have retrospectively revised prior period information to conform to current period presentation in the financial information contained in this annual report.

Our Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan joint ventures under our Other Ventures operations and our Nutrition Science Partners joint venture under our Oncology/Immunology operations (until December 9, 2019 when it was purchased by us and became our consolidated subsidiary) 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 annual report. We have two strategic business units, Oncology/Immunology and Other Ventures, that offer different products and services. 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 Item 4.A. "History and Development of the Company."

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, six of which are in global clinical development. For more information on the nature of the efforts and steps necessary to develop our drug candidates, see Item 4.B. "Business Overview—Our Clinical Pipeline" and "Business Overview—Regulation."

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.

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 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 costs incurred by our Oncology/Immunology operations totaled $114.2 million, $138.2 million and $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 market of the London Stock Exchange, 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—Cost of Revenues and Operating Expenses—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 risk-balanced 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 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 $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, HMPL-453 and HMPL-306, 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 products 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 $33.4 million, $26.3 million and $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 Item 4.B. "Business Overview—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 Item 4.B. "Business 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 in 2020 were capable of being reimbursed under the NRDL as of December 31, 2020. 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 Item 3.D. "Risk Factors—Risks Relating to Other Ventures and Sales of Our Commercial-stage Drug Candidates—Reimbursement may not be available for the products currently sold through our 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 China National Development and Reform Commission, or 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 ($0.46) per day and of traditional Chinese medicine pharmaceuticals at less than RMB5.0 ($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 ($0.29) per day and RMB2.4 ($0.37) per day, respectively, and Shanghai Hutchison Pharmaceuticals' two top-selling products, She Xiang Bao Xin pills and Danning tablets, cost RMB3.6 ($0.55) per day and RMB4.3 ($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 ($0.41) per day to RMB3.5 ($0.53) per day. We further increased the price to RMB3.6 ($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 Item "Business Overview—Coverage and Reimbursement—PRC Coverage and Reimbursement."

Ability to Effectively Market Own Brand and Third Party Drugs

A key component of the operations of Other Ventures 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 are building an oncology sales and marketing team which we plan to utilize for our internally developed drugs for which we have commercialization rights, if approved.

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 annual report. 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 ordinary 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 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, we have 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. 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 quantitative fair value 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 growth rates; costs; and 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 estimates of revenue growth and costs are based on historical data, various internal estimates, and a variety of external sources. These estimates are developed as part of our routine 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 assets and liabilities, such as cash and cash equivalents, short-term 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.

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 revenues 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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Revenues						
Oncology/Immunology:						
Goods—third parties	11,329	5.0	8,113	4.0	3,324	1.5
Services:						
Collaboration R&D—third parties	9,771	4.3	15,532	7.6	17,681	8.3
Services—Commercialization—third parties	3,734	1.7	—	—	—	—
R&D services—related parties	491	0.2	494	0.2	7,832	3.7
Other collaboration revenue:						
Royalties—third parties	4,890	2.1	2,653	1.3	261	0.1
Licensing—third parties	—	—	—	—	12,135	5.7
Subtotal	30,215	13.3	26,792	13.1	41,233	19.3
Other Ventures:						
Goods—third parties	192,277	84.3	167,877	81.9	152,910	71.4
Goods—related parties	5,484	2.4	7,637	3.7	8,306	3.9
Services—third parties	—	—	2,584	1.3	11,660	5.4
Subtotal	197,761	86.7	178,098	86.9	172,876	80.7
Total	227,976	100.0	204,890	100.0	214,109	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.

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.

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 $275.7 million, $272.1 million and $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 $215.8 million, $215.4 million and $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. The effect of Hutchison Baiyunshan on our consolidated financial results is discussed under "—Equity in Earnings of Equity Investees."

Cost of Revenues and 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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Cost of Revenues						
Costs of goods—third parties	178,828	94.9	152,729	95.4	129,346	89.9
Costs of goods—related parties	3,671	1.9	5,494	3.4	5,978	4.2
Costs of services—third parties	6,020	3.2	1,929	1.2	8,620	5.9
Total	188,519	100.0	160,152	100.0	143,944	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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
R&D Expenses						
Oncology/Immunology:						
Savolitinib (targeting MET)	5,341	3.1	14,630	10.6	11,749	10.3
Fruquintinib (targeting VEGFR1/2/3)	28,254	16.2	19,488	14.1	17,423	15.3
Surufatinib (targeting VEGFR/FGFR1/CSF-1R)	32,106	18.4	23,809	17.2	20,996	18.4
Epitinib (targeting EGFRm+ with brain metastasis)	808	0.5	(1,841)	(1.3)	3,448	3.0
Theliatinib (targeting EGFR wild-type)	(74)	—	138	0.1	1,399	1.2
HMPL-523 (targeting Syk)	7,422	4.2	18,338	13.3	7,562	6.6
HMPL-689 (targeting PI3Kδ)	7,383	4.2	5,938	4.3	2,113	1.8
HMPL-453 (targeting FGFR)	1,356	0.8	1,948	1.4	2,082	1.8
HMPL-306 (targeting IDH 1/2)	5,389	3.1	—	—	2	—
Others and government grant	17,884	10.1	5,329	3.8	6,919	6.1
Total clinical trial related costs	105,869	60.6	87,777	63.5	73,693	64.5
Personnel compensation and related costs	63,542	36.3	46,246	33.5	35,340	31.0
Other research and development costs	5,365	3.1	4,167	3.0	5,128	4.5
Total	174,776	100.0	138,190	100.0	114,161	100.0

The following table summarizes our research and development expenses by location for the years indicated.

	Year Ended December 31,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
PRC	111,473	63.8	116,479	84.3	109,584	96.0
U.S. and others	63,303	36.2	21,711	15.7	4,577	4.0
Total	174,776	100.0	138,190	100.0	114,161	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 $8.1 million, representing 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 annual report. For more information on this joint venture, see "—Equity in Earnings of Equity Investees."

	Period Ended December 9, 2019		Year Ended December 31, 2018	
	$'000	%	$'000	%
Nutrition Science Partners				
HMPL-004/HM004-6599 related development costs	—	—	(2,420)	6.4
Other costs	(51)	(25.6)	(5,966)	15.6
Other income	250	125.6	188	(0.5)
Impairment provision	—	—	(30,000)	78.5
Profit/(loss) for the period/year	199	100.0	(38,198)	100.0
Equity in earnings of equity investee attributable to our company	100	50.0	(19,099)	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 Item 3.D. "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 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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Selling Expenses						
Oncology/Immunology	237	2.1	—	—	—	—
Other Ventures	11,097	97.9	13,724	100.0	17,736	100.0
Total	11,334	100.0	13,724	100.0	17,736	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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Administrative Expenses						
Oncology/Immunology	19,144	38.3	12,189	31.1	9,662	31.3
Other Ventures	6,129	12.3	5,292	13.5	4,564	14.7
Corporate Head Office	24,742	49.4	21,729	55.4	16,683	54.0
Total	50,015	100.0	39,210	100.0	30,909	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 $38.3 million, $40.6 million and $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 $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 $19.0 million, income of $0.1 million and a loss of $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 $30.0 million intangible asset of which our attributable portion was $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 annual report.

	Year Ended December 31,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Revenue						
Other Ventures:						
Shanghai Hutchison Pharmaceuticals	276,354	54.3	272,082	55.8	275,649	56.1
Hutchison Baiyunshan	232,368	45.7	215,403	44.2	215,838	43.9
Total	508,722	100.0	487,485	100.0	491,487	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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Equity in earnings of equity investees, net of tax						
Oncology/Immunology:						
Nutrition Science Partners[(1)]	—	—	100	0.3	(19,099)	(98.8)
Others	(97)	(0.1)	47	0.1	118	0.6
Other Ventures:						
Shanghai Hutchison Pharmaceuticals	33,502	42.4	30,654	75.3	29,884	154.6
Hutchison Baiyunshan[(2)]	45,641	57.7	9,899	24.3	8,430	43.6
Total	79,046	100.0	40,700	100.0	19,333	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 $36.0 million from land compensation for a return of land use rights to the Guangzhou government.

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 annual report. 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,					
	2020		2019		2018	
	$'000	%	$'000	%	$'000	%
Revenues	227,976	100.0	204,890	100.0	214,109	100.0
Cost of revenues	(188,519)	(82.7)	(160,152)	(78.2)	(143,944)	(67.2)
Research and development expenses	(174,776)	(76.7)	(138,190)	(67.4)	(114,161)	(53.3)
Selling expenses	(11,334)	(5.0)	(13,724)	(6.7)	(17,736)	(8.3)
Administrative expenses	(50,015)	(21.9)	(39,210)	(19.1)	(30,909)	(14.4)
Other income	6,934	3.0	5,281	2.6	5,986	2.8
Income tax expense	(4,829)	(2.1)	(3,274)	(1.6)	(3,964)	(1.9)
Equity in earnings of equity investees, net of tax	79,046	34.7	40,700	19.9	19,333	9.0
Net loss	(115,517)	(50.7)	(103,679)	(50.6)	(71,286)	(33.3)
Net loss attributable to our company	(125,730)	(55.2)	(106,024)	(51.7)	(74,805)	(34.9)

Taxation

Cayman Islands

Hutchison China MediTech Limited 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 Item 10.E. "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 (ten years for those with HNTE status, with effective from 1 January 2018). Hutchison MediPharma and our non-consolidated joint ventures, Shanghai Hutchison Pharmaceutical 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 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 Item 10.E. "Taxation—Taxation in the PRC." Please also see Item. 3 "Key Information—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."

Hong Kong

Hutchison China MediTech Limited 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 ($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.

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 Item 10.E. "Taxation—Taxation in the PRC" and "Taxation—Overview of Tax Implications of Various Other Jurisdictions—Hong Kong Taxation."

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenues

Our revenue increased by 11.3% from $204.9 million for the year ended December 31, 2019 to $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 $26.8 million for the year ended December 31, 2019 to $30.2 million for the year ended December 31, 2020, primarily due to an increase in revenue related to the sale of Elunate from $10.8 million for the year ended December 31, 2019 (of which $2.7 million was royalty revenue and $8.1 was revenue from sales to Eli Lilly) to $20.0 million for the year ended December 31, 2020 (of which $4.9 million was royalty revenue, $11.3 million was revenue from sales of goods primarily to Eli Lilly and $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. This increase was offset in part by a decrease in revenue related to collaboration research and development services from $15.5 million for the year ended December 31, 2019 to $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 $178.1 million for the year ended December 31, 2019 to $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 14.9% from $143.7 million for the year ended December 31, 2019 to $165.1 million for the year ended December 31, 2020 primarily due to increased sales by our consolidated joint venture Hutchison Sinopharm. This increase was offset in part by a decrease in sales of consumer health products which decreased by 4.9% from $34.4 million for the year ended December 31, 2019 to $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—Other Ventures—Seasonality."

Cost of Revenues

Our cost of revenues increased by 17.7% from $160.2 million for the year ended December 31, 2019 to $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 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 $138.2 million for the year ended December 31, 2019 to $174.8 million for the year ended December 31, 2020, which was primarily attributable to a $18.1 million increase in payments to CROs and other clinical trial related costs and a $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 U.S. and rapid organizational growth to support such expansion. In particular, this increase was attributable to the expansion of the fruquintinib, surufatinib, HMPL-306, epitinib 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 $13.7 million for the year ended December 31, 2019 to $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 $39.2 million for the year ended December 31, 2019 to $50.0 million for the year ended December 31, 2020. This was primarily due to $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 $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

We had net other income of $5.3 million for the year ended December 31, 2019, compared to net other income of $6.9 million for the year ended December 31, 2020. The increase was primarily due to foreign currency exchange gains of $3.0 million, offset in part by a decline in interest income of $1.7 million due to lower bank deposit rates.

Income Tax Expense

Our income tax expense increased from $3.3 million for the year ended December 31, 2019 to $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 $40.7 million for the year ended December 31, 2019 to $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 was $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 annual report.

	Year Ended December 31,			
	2020		2019	
	($'000)	%	($'000)	%
Revenue	276,354	100.0	272,082	100.0
Cost of sales	(72,163)	(26.1)	(77,313)	(28.4)
Selling expenses	(111,892)	(40.5)	(110,591)	(40.6)
Administrative expenses	(17,907)	(6.5)	(14,761)	(5.4)
Taxation charge	(10,833)	(3.9)	(11,015)	(4.0)
Profit for the year	67,020	24.3	61,301	22.5
Equity in earnings of equity investee attributable to our company	33,502	12.1	30,654	11.3

Shanghai Hutchison Pharmaceuticals' revenue increased by 1.6% from $272.1 million for the year ended December 31, 2019 to $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 $239.5 million for the year ended December 31, 2019 to $250.0 million for the year ended December 31, 2020. Additionally, revenue from Shanghai Hutchison Pharmaceutical's distribution business decreased from $11.1 million for the year ended December 31, 2019 to $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 $77.3 million for the year ended December 31, 2019 to $72.2 million for the year ended December 31, 2020, primarily due to the discontinuation of our distribution of Seroquel. Additionally, our revenue increased at a higher rate than cost of sales due to an increased proportion of sales of higher margin She Xiang Bao Xin pills.

Selling expenses increased by 1.2% from $110.6 million for the year ended December 31, 2019 to $111.9 million for the year ended December 31, 2020, in line with the increase in revenues.

Administrative expenses increased by 21.3% from $14.8 million for the year ended December 31, 2019 to $17.9 million for the year ended December 31, 2020, primarily due to an increase in research and development expenses for new products.

Taxation charge decreased by 1.7% from $11.0 million for the year ended December 31, 2019 to $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 $61.3 million for the year ended December 31, 2019 to $67.0 million for the year ended December 31, 2020. Our equity in earnings of equity investees contributed by this joint venture was $30.7 million and $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 annual report.

	Year Ended December 31,			
	2020		2019	
	($'000)	%	($'000)	%
Revenue	232,368	100.0	215,403	100.0
Cost of sales	(115,564)	(49.7)	(100,279)	(46.6)
Selling expenses	(74,066)	(31.9)	(74,013)	(34.4)
Administrative expenses	(25,664)	(11.0)	(23,817)	(11.1)
Gain on return of land	84,667	36.4	—	—
Taxation charge	(16,494)	(7.1)	(3,634)	(1.7)
Profit attributable to equity holders of Hutchison Baiyunshan	91,276	39.3	19,792	9.2
Equity in earnings of equity investee attributable to our company	45,641	19.6	9,899	4.6

Hutchison Baiyunshan's revenue increased by 7.9% from $215.4 million for the year ended December 31, 2019 to $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 $100.3 million for the year ended December 31, 2019 to $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 $74.0 million and $74.1 million for the years ended December 31, 2019 and 2020, respectively.

Administrative expenses increased by 7.8% from $23.8 million for the year ended December 31, 2019 to $25.7 million for the year ended December 31, 2020, primarily due to an increase in general overhead costs incurred.

Taxation charge increased by 354% from $3.6 million for the year ended December 31, 2019 to $16.5 million for the year ended December 31, 2020, primarily due to a tax of $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 $84.7 million related to land compensation received from the Guangzhou government, profit attributable to equity holders of Hutchison Baiyunshan increased by 361% from $19.8 million for the year ended December 31, 2019 to $91.3 million for the year ended December 31, 2020. Our equity in earnings of equity investees contributed by this joint venture was $9.9 million and $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 annual report.

	Period Ended December 9, 2019	
	($'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 $0.2 million for the period ended December 9, 2019. Our equity in earnings of equity investees contributed by this joint venture was income of $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 $103.7 million for the year ended December 31, 2019 to $115.5 million for the year ended December 31, 2020. Net loss attributable to our company increased from $106.0 million for the year ended December 31, 2019 to $125.7 million for the year ended December 31, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

For a discussion of our results of operations for the year ended December 31, 2019 compared with the year ended December 31, 2018, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Year Ended December 31, 2019 Compared to Year Ended December 31, 2018" of our annual report on Form 20-F for the fiscal year ended December 31, 2019, filed with the SEC on March 3, 2020.

B. 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 market of the London Stock Exchange in 2006 and the Nasdaq Global Select Market 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 Item 3.D. "Risk Factors—Risks Relating to Our Oncology/Immunology Operations and Development of Our Drug Candidates— Historically, our in house research and development division, known as 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 $435.2 million and unutilized bank facilities of $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 $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 $15,000, $51,000 and $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 $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 Item 4.B. "Business Overview—Regulation—PRC Regulation of Foreign Currency Exchange, Offshore Investment and State-Owned Assets—Regulation on Investment in Foreign invested Enterprises—Regulation on Dividend Distribution."

In addition, our non-consolidated joint ventures held an aggregate of $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 Item 3.D. "Risk Factors—Risks Relating to Other Ventures and Sales of Our Commercial-stage Drug Candidates—As a significant portion of the operations of our Other Ventures is conducted through joint ventures, we are largely 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."

We believe that our current levels of cash and cash equivalents, short-term investments, along with cash flows from operations, dividend payments and unutilized bank borrowings, will be sufficient to meet our anticipated cash needs for at least the next 12 months. 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 Item 3.D. "Risk Factors—Risks Relating to Our Financial Position and Need for Capital."

	Year Ended December 31,		
	2020	2019	2018
		($'000)	
Cash Flow Data:			
Net cash used in operating activities	(62,066)	(80,912)	(32,847)
Net cash (used in)/generated from investing activities	(125,441)	119,028	43,752
Net cash generated from/(used in) financing activities	296,434	(1,493)	(8,231)
Net increase in cash and cash equivalents	108,927	36,623	2,674
Effect of exchange rate changes	5,546	(1,502)	(1,903)
Cash and cash equivalents at beginning of the year	121,157	86,036	85,265
Cash and cash equivalents at end of the year	235,630	121,157	86,036

Net Cash used in Operating Activities

Net cash used in operating activities was $80.9 million for the year ended December 31, 2019, compared to net cash used in operating activities of $62.1 million for the year ended December 31, 2020. The net change of $18.8 million was primarily attributable to an increase in dividends received from Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan of $58.6 million from $28.1 million for the year ended December 31, 2019 to $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 $36.6 million from $138.2 million for the year ended December 31, 2019 to $174.8 million for the year ended December 31, 2020.

Net cash used in operating activities was $32.8 million for the year ended December 31, 2018, compared to net cash used in operating activities of $80.9 million for the year ended December 31, 2019. The net change of $48.1 million was primarily attributable to the increase in net loss of $32.4 million from $71.3 million for the year ended December 31, 2018, which included our company's $15.0 million share of Nutrition Science Partner's non-cash impairment provision, to $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 $7.1 million from $35.2 million for the year ended December 31, 2018 to $28.1 million for the year ended December 31, 2019. The net change was partially offset by the effects of changes in working capital. In particular, there was a $26.0 million increase in other payables, accruals and advance receipts for the year ended December 31, 2019, as compared to a $16.3 million increase for the year ended December 31, 2018.

Net Cash (used in)/generated from Investing Activities

Net cash generated from investing activities was $119.0 million for the year ended December 31, 2019, compared to net cash used in investing activities of $125.4 million for the year ended December 31, 2020. The net change of $244.4 million was primarily attributable to a net withdrawal of deposits in short-term investments of $118.9 million for the year ended December 31, 2019 compared to a net deposit in short-term investments of $103.5 million for the year ended December 31, 2020. The net change was also attributable to a purchase of leasehold land of $11.6 million in Shanghai.

Net cash generated from investing activities was $43.8 million for the year ended December 31, 2018, compared to net cash generated from investing activities of $119.0 million for the year ended December 31, 2019. The net change of $75.2 million was primarily attributable to net withdrawal of deposits in short-term investments of $58.1 million for the year ended December 31, 2018 compared to the net withdrawal of deposits in short-term investments of $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 $8.7 million.

Net Cash generated from/(used in) Financing Activities

Net cash used in financing activities was $1.5 million for the year ended December 31, 2019, compared to net cash generated from financing activities of $296.4 million for the year ended December 31, 2020. The net change of $297.9 million was primarily attributable to net proceeds of $310.0 million from our follow-on offering in the United States in January 2020 and private placements in July 2020 and November 2020.

Net cash used in financing activities was $8.2 million for the year ended December 31, 2018, compared to net cash used in financing activities of $1.5 million for the year ended December 31, 2019. The net change of $6.7 million was primarily attributable to purchases of ADSs by our company for the settlement of certain equity awards totaling $0.3 million for the year ended December 31, 2019 as compared to $5.5 million for the year ended December 31, 2018, as well as the repayment of a $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, or HCM HK, renewed a three-year revolving loan facility with HSBC. The facility amount of this loan is HK$234.0 million ($30.0 million) with an interest rate at the Hong Kong Inter-bank Offered Rate, or 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, HCM HK 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 ($65.0 million). The credit facility with Bank of America, N.A. is a HK$351.0 million ($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 ($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, HCM HK 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 ($70.0 million). The credit facility with Bank of America, N.A. included (i) a HK$156.0 million ($20.0 million) term loan facility and (ii) a HK$195.0 million ($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 ($10.0 million) term loan facility and (ii) a HK$117.0 million ($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 ($51.3 million). The credit facilities included (i) a HK$210.0 million ($26.9 million) 3-year term loan facility and (ii) a HK$190.0 million ($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, HCM HK entered into additional credit facility arrangements with HSBC for the provision of unsecured credit facilities in the aggregate amount of HK$400.0 million ($51.3 million). The 3-year credit facilities include (i) a HK$210.0 million ($26.9 million) term loan facility and (ii) a HK$190.0 million ($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 ($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, HCM HK entered into a 24-month revolving credit facility with Deutsche Bank AG in the amount of HK$117.0 million ($15.0 million) with an interest rate of 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 $6.4 million, $8.6 million and $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 acquiring leasehold land 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 $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 $5.2 million, $4.6 million and $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 $5.4 million, $3.4 million and $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.

C. Research and Development, Patents and Licenses, etc.

Full details of our research and development activities and expenditures are given in the "Business" and "Operating and Financial Review and Prospects" sections of this annual report above.

D. Trend Information.

Other than as described elsewhere in this annual report, 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 not necessarily to be indicative of future operation results or financial condition.

E. Off-balance Sheet Arrangements.

We do not currently or during the periods presented have any material off-balance sheet arrangements as defined under the rules of the SEC.

F. Tabular Disclosure of Contractual Obligations.

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
			($'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
			($'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
			($'000)		
Purchase obligations	1,633	1,633	—	—	—
Lease obligations	905	598	307	—	—
Total	2,538	2,231	307	—	—

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. Although, in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the renminbi because the value of our business is effectively denominated in renminbi, while the ADSs will be traded in U.S. dollars.

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 ordinary 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 $0.3 million for the year ended December 31, 2020.

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 our consolidated financial statements included in this annual report for information regarding recent accounting pronouncements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management.

Below is a list of the names and ages of our directors and officers as of March 1, 2021, and a brief account of the business experience of each of them. The business address for our directors and officers is c/o Hutchison China MediTech Limited, Level 18, The Metropolis Tower, 10 Metropolis Drive, Hunghom, Kowloon, Hong Kong.

Name	Age	Position
Simon To	69	Executive Director and Chairman
Christian Hogg	55	Executive Director and Chief Executive Officer
Johnny Cheng	54	Executive Director and Chief Financial Officer
Weiguo Su, Ph.D.	63	Executive Director and Chief Scientific Officer
Dan Eldar, Ph.D.	67	Non-executive Director
Edith Shih	69	Non-executive Director and Company Secretary
Paul Carter	60	Senior Independent Non-executive Director
Karen Ferrante, M.D.	63	Independent Non-executive Director
Graeme Jack	70	Independent Non-executive Director
Tony Mok, M.D.	60	Independent Non-executive Director
May Wang, Ph.D.	57	Senior Vice President, Business Development & Strategic Alliances
Zhenping Wu, Ph.D.	61	Senior Vice President, Pharmaceutical Sciences
Mark Lee	43	Senior Vice President, Corporate Finance & Development

Simon To has been a director since 2000 and an executive director and the chairman of our board of directors since 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 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 and a master in business administration from Stanford University's Graduate School of Business.

Christian Hogg has been an executive director and our chief executive officer since 2006. He is also a member of our technical committee. He was a member of our nomination committee from April 2019 to December 2020. He joined the business in 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 1,200 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 and a master in business administration from the University of Tennessee.

Johnny Cheng has been an executive director since 2011 and our chief financial officer since 2008. He was a member of our nomination committee from April 2019 to December 2020. 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 late 2006 and 2008. Mr. Cheng started his career as an auditor with Price Waterhouse (currently PricewaterhouseCoopers) in Australia and then 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, accounting major from the University of Adelaide and is a member of Chartered Accountants Australia and New Zealand.

Weiguo Su has been an executive director since 2017 and has been our executive vice president and chief scientific officer since 2012. He is also a member of our technical committee. He was a member of our nomination committee from April 2019 to December 2020. 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 product pipeline. Prior to joining our company in 2005, Dr. Su spent 15 years with the U.S. Research and Development Department of Pfizer, Inc. with his last position as director of the Medicinal Chemistry Department. 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. He completed a Ph.D. and post-doctoral fellowship in chemistry at Harvard University under the guidance of Nobel Laureate Professor E. J. Corey.

Dan Eldar has been a non-executive director since 2016. He was a member of our nomination committee from April 2019 to December 2020. 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 holds a Ph.D. degree in government from Harvard University, master of arts degree in government from Harvard University, master of arts degree in political science and public administration from the Hebrew University of Jerusalem and a bachelor of arts degree in political science from the Hebrew University of Jerusalem.

Edith Shih has been a non-executive director and company secretary of our company since 2006 and company secretary of Group companies since 2000. She was a member of our nomination committee from April 2019 to December 2020. She is also an 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 and director and company secretary of HWL subsidiaries and associated companies. Ms. Shih is a non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited and Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust; and a member of board of commissioners of PT Duta Intidaya Tbk. The aforementioned companies are either the subsidiaries or associated companies 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 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 and 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, Hong Kong and Victoria, Australia and 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 and a master of arts degree from the University of the Philippines and a master of arts degree and a master of education degree from Columbia University, New York.

Paul Carter has been a senior independent non-executive director since 2017. He is also the chairman of our remuneration committee and a member of our audit committee and technical committee. He was a member of our nomination committee from April 2019 to December 2020. 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. Prior to joining Gilead, he spent 14 years with GlaxoSmithKline plc and its group companies, with the last position as regional head of the international business in Asia. He is currently a director of Mallinckrodt plc and Immatics N.V. 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. Mr. Carter holds a degree in business studies from the Ealing School of Business and Management (now merged into University of West London) and is a fellow of the Chartered Institute of Management Accountants in the United Kingdom.

Karen Ferrante has been an independent non-executive director since 2017. She is also the chairman of our technical committee and a member of our audit committee. She was a member of our nomination committee from April 2019 to December 2020. 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. From September 2007 to July 2013, Dr. Ferrante 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. From 1999 to 2007, she 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. and Cogent Biosciences, Inc. (formerly Unum Therapeutics Inc.). 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. 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 holds a bachelor of science degree in chemistry and biology from Providence College and a Doctor of Medicine from Georgetown University.

Graeme Jack has been an independent non-executive director since 2017. He is also the chairman of our audit committee and a 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), Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust (a developer and operator of deep water container terminals) 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). He holds a bachelor of commerce degree from the University of New South Wales, Australia and is a Fellow of the Hong Kong Institute of Certified Public Accountants and an Associate of Chartered Accountants Australia and New Zealand.

Tony Mok has been an independent non-executive director since 2017. He is also 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 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, a board director of the ASCO and a steering committee member of the Chinese Society of Clinical Oncology. He is also the 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 and a Doctor of Medicine from University of Alberta, Canada. He is also a fellow of the Royal College of Physicians and Surgeons of Canada, Hong Kong College of Physicians, Hong Kong Academy of Medicine, Royal College of Physicians of Edinburgh and ASCO.

May Wang is our senior vice president of business development & strategic alliances. Prior to joining our company in 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.

Zhenping Wu joined our company in 2008 and has been our senior vice president of pharmaceutical sciences since 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 and a master in business administration from the University of California at Irvine.

Mark Lee is our senior vice president of corporate finance and development. Prior to joining our company in 2009, he worked in healthcare investment banking in the United States and Europe since 1998. 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, 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.

B. Compensation.

Executive Officer Compensation

Summary Compensation Table

The following table sets forth the compensation paid or accrued during the fiscal year ended December 31, 2020 to our chief executive officer, chief financial officer, chief scientific officer and other executive officers on an aggregate basis.

Name and Principal Position	Salary and fees ($)	Bonus[4] ($)	Taxable benefits ($)	Non-taxable benefits ($)	Pension contributions ($)	Total ($)
Christian Hogg	458,076 [1][2]	897,435	17,820	9,936	29,369	1,412,636
Johnny Cheng	380,141 [3]	371,794	—	9,936	27,091	788,962
Weiguo Su	420,894 [2]	735,930	10,000	6,471	32,229	1,205,524
Other Executive Officers in the Aggregate	647,049	963,480	6,410	27,309	37,847	1,682,095

Notes:

(1) Director's fees received from the subsidiaries of the Company during the period he served as director that were paid to a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(2) Amount includes director's fees of $75,000.

(3) Amount includes director's fees of $70,000.

(4) In December 2013 and March 2014, we awarded cash retention bonuses to certain of our executive officers in the aggregate amount of $2,977,751. Each such executive officer receives portions of his or her retention bonus upon certain dates in the future depending on when the bonus was granted and, in each case, assuming he or she remains employed by our company on such future dates. No amounts in relation to such cash retention bonuses were paid in 2020.

Employment Arrangements with our Executive Officers

Offer Letters for Executive Officers at Hutchison China MediTech Limited and Hutchison MediPharma (Hong Kong) Limited

We have entered into employment offer letters with each of our executive officers who is employed by our Hong Kong subsidiaries, HCM HK or Hutchison MediPharma (Hong Kong) Limited, namely Mr. Christian Hogg, Mr. Johnny Cheng and Mr. Mark Lee. Under these our executives receive compensation in the form of salaries, discretionary bonuses, participation in the Hutchison Provident Fund retirement scheme, medical coverage under the CK Hutchison Group Medical Scheme, personal accident insurance and annual leave. None of the employment arrangements provide benefits to our executive officers upon termination. We may terminate employment by giving the executive three months' prior written notice. The executive officer may also voluntarily terminate his employment with us upon not less than three months' prior written notice to us.

Each executive officer has agreed, for the term of employment with us and thereafter, not to disclose or use for his own purposes any of our and our associated companies' confidential information that the executive officer may develop or learn in the course of employment with us. Moreover, each of our executive officers has agreed, for the term of employment with us and for a period of twelve months thereafter, (i) not to undertake or be employed or interested directly or indirectly anywhere in Hong Kong in any activity which is similar to and competitive with our company or associated companies in which the executive officer had been involved in the period of 12 months prior to such termination and (ii) not to solicit for any employees of our company or our joint ventures or orders from any person, firm or company which was at any time during the 12 months prior to termination of such employment a customer or supplier of our company or associated companies.

Employment Agreements with Executive Officers at Hutchison MediPharma

We have also entered into employment agreements with each of our executive officers who are employed directly by Hutchison MediPharma, namely Dr. Weiguo Su, Dr. May Wang and Dr. Zhenping Wu. Under these employment agreements, we engage the executive officer on either an open-ended or a fixed term. Our executive officers receive compensation in the form of salaries, discretionary bonuses, annual leave, statutory maternity leave and nursing leave.

Under the terms of these agreements, we provide labor protection and work conditions that comply with the safety and sanitation requirements stipulated by the relevant PRC laws. The employment agreements prohibit the executive officers from engaging in any conduct and business activities which may compete with the business or interests of Hutchison MediPharma during the term of the executive officer's employment. These executive officers also enjoy the Hutchison Provident Fund retirement scheme, medical coverage under the Hutchison Group Medical Scheme and personal accident insurance.

We may terminate an executive officer's employment for cause at any time without notice. Termination for cause may include a serious breach of our internal rules and policies, serious negligence in the executive officer's performance of his or her duties, an accusation or conviction of a criminal offence, acquisition of another job which materially affects the executive officer's ability to perform his or her duties for our company and other circumstances stipulated by applicable PRC laws. We may terminate an executive officer's employment with three months' prior notice if the executive officer is unable to perform his or her duties (after the expiration of the prescribed medical treatment period) because of an illness or non-work-related injury or the executive officer is incompetent and remains incompetent after training or adjustment of his or her position.

The executive officer may voluntarily terminate his or her contract without cause with three months' prior notice. The executive officer may also terminate the employment agreement immediately for cause, which includes a failure by us to provide labor protection and the work conditions as specified under the employment agreement. In case of termination for any reason, we agree to make any mandatory severance payments required by the relevant PRC labor laws.

Share Options

The following table sets forth information concerning the outstanding equity awards held by our chief executive officer, chief financial officer, chief scientific officer and other executive officers on an aggregate basis as of December 31, 2020.

Name and Principal Position	Number of unexercised shares which are exercisable (#)	Number of unexercised shares which are unexercisable (#)	Shares exercise price (£/share)	Number of unexercised options in the form of ADRs which are exercisable (#)	Number of unexercised options in the form of ADRs which are unexercisable (#)	Option exercise price ($/ADR)	Option expiration date
Christian Hogg	—	—	n/a	—	258,340	22.09	Apr. 27, 2030
Christian Hogg	—	—	n/a	—	7,922	29.00	Dec. 13, 2030
Johnny Cheng	—	—	n/a	—	80,380	22.09	Apr. 27, 2030
Weiguo Su	3,000,000	—	1.97	—	—	n/a	Dec. 19, 2023
Weiguo Su	750,000	250,000	3.105	—	—	n/a	Mar. 26, 2027
Weiguo Su	500,000	500,000	4.974	—	—	n/a	Mar. 18, 2028
Weiguo Su	—	—	n/a	—	157,940	22.09	Apr. 27, 2030
Weiguo Su	—	—	n/a	—	3,792	29.00	Dec. 13, 2030
Other Executive Officers in the Aggregate	2,936,860	—	1.97	—	—	n/a	Dec. 19, 2023
Other Executive Officers in the Aggregate	—	—	n/a	—	171,540	22.09	Apr. 27, 2030
Other Executive Officers in the Aggregate	—	—	n/a	—	8,583	29.00	Dec. 13, 2030

Long-Term Incentive Compensation

The following table sets forth information concerning the outstanding LTIP grants held by our chief executive officer, chief financial officer, chief scientific officer and other executive officers on an aggregate basis as of December 31, 2020.

Name and Principal Position	Maximum Aggregate Value of LTIP awards[1]
Christian Hogg	$ 1,580,193
Johnny Cheng	$ 640,443
Weiguo Su	$ 1,407,120
Other Executive Officers in the Aggregate	$ 1,097,278

(1) The amounts reflected in the table above represent the maximum aggregate value of all LTIP awards outstanding as of December 31, 2020. The LTIP awards are conditional upon the achievement of annual performance targets for the fiscal year 2020. The amounts reflected in the table above assume the maximum amount that may be paid under these contingent LTIP awards. The LTIP awards will be settled in a variable number of shares based on a fixed monetary amount awarded upon achievement of performance targets. An independent third-party trustee who administers the LTIP purchased shares of our company on either the AIM or Nasdaq market which will be used to settle the LTIP awards. See "Outstanding Awards" for more details.

Director Compensation

The following table sets forth a summary of the compensation we paid to our directors other than Christian Hogg, Johnny Cheng and Weiguo Su during 2020.

Name of Director	Fees Earned or Paid in Cash ($)	Value of LTIP Awards Received and Vested in 4 years at 25% each year ($)
Simon To	$ 80,000[1]	$ 200,000
Dan Eldar	$ 70,000	$ 200,000
Edith Shih	$ 70,000[2]	$ 200,000
Paul Carter	$ 117,000	$ 200,000
Karen Ferrante	$ 102,500	$ 200,000
Graeme Jack	$ 104,000	$ 200,000
Tony Mok	$ 84,000	$ 200,000

(1) Such director's fees were paid to Hutchison Whampoa (China) Limited, a wholly owned subsidiary of CK Hutchison. Director's fees received from our subsidiaries during the period he served as director that were paid to a subsidiary or an intermediate holding company of our company are not included in the amounts above.

(2) Such director's fees were paid to Hutchison International Limited, a wholly owned subsidiary of CK Hutchison. Director's fees received from our subsidiaries during the period she served as director that were paid to a subsidiary or an intermediate holding company of our company are not included in the amounts above.

Equity Compensation Schemes and Other Benefit Plans

We have two share option schemes. We refer to these collectively as the Option Schemes. Our shareholder adopted the first option scheme, or the 2005 Option Scheme, in June 2005, and it was subsequently approved by the shareholders of Hutchison Whampoa Limited, our then majority shareholder, in May 2006 and later amended by our board of directors in March 2007. This share option scheme expired in 2016. In April 2015, our shareholders adopted the second option scheme, or the 2015 Option Scheme, which was later approved by the shareholders of CK Hutchison, the ultimate parent of our then majority shareholder, in May 2016.

We also have a long-term incentive scheme which was adopted by our shareholders in April 2015. We refer to this as our LTIP.

In addition, our subsidiary Hutchison MediPharma Holdings has two share option schemes. We refer to these collectively as the Hutchison MediPharma Option Schemes. The first Hutchison MediPharma option scheme, or the 2008 Hutchison MediPharma Option Scheme, was adopted in August 2008 upon approval by its shareholder. The 2008 Hutchison MediPharma Option Scheme was thereafter amended by the board of directors of Hutchison MediPharma Holdings in April 2011 and expired in 2014. The second Hutchison MediPharma option scheme, or the 2014 Hutchison MediPharma Option Scheme, was adopted in December 2014 upon approval by its shareholders.

Our 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 a scheme is without prejudice to the awards outstanding at such time. Options are no longer being granted under the 2005 Option Scheme or the 2008 Hutchison MediPharma Option Scheme, but outstanding awards under the 2005 Option Scheme continue to be governed by the terms thereof.

The following describes the material terms of our Option Schemes, our LTIP and the Hutchison MediPharma Option Schemes, or collectively the Schemes.

Awards and Eligible Grantees. The Schemes provide for the award of share options exercisable for ordinary shares of our company (in the case of the Option Schemes) or ordinary shares of Hutchison MediPharma Holdings (in the case of the Hutchison MediPharma Option Schemes) to Eligible Employees (as defined in the Option Schemes) or non-executive directors (excluding any independent non-executive directors under the 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.

Scheme Administration. Our board of directors has delegated its authority for administering our Option Schemes and our LTIP to our remuneration committee. The board of directors of Hutchison MediPharma Holdings is responsible for administering the Hutchison MediPharma Option Schemes. 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.

Restrictions on Grants. Under the 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 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 our 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 $0.6 million as of December 31, 2017). The Hutchison MediPharma Option Schemes do not contain these restrictions.

In addition, options under our Option Schemes and the Hutchison MediPharma Option Schemes 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 our 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).

Vesting. Vesting conditions of options granted under the Schemes 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 ranges from six to ten years after the date of grant.

Under our Option Schemes and the Hutchison MediPharma Option Schemes, 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 our 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 our 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 than 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.

Exercise Price. The exercise price for each share pursuant to the initial options granted under the 2005 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 our Option Schemes). The exercise price for each share pursuant to options granted under our 2008 Hutchison MediPharma Option Scheme was a price determined by the board of directors of Hutchison MediPharma Holdings.

The exercise price for each share pursuant to the options granted under the 2015 Option Scheme must be the Market Value of a share at the date of grant (as defined in our 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.

Non-transferability of Awards. Awards may not be transferred except in the case of a participant's death by the terms of each Scheme.

Takeover or Scheme of Arrangement. In the event of a general or partial offer for the shares of our company (under our Option Schemes) or Hutchison MediPharma Holdings (under the Hutchison MediPharma Option Schemes), 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.

Amendment. Our Option Schemes require that amendments of a material nature only be made with the approval of our shareholders. The Hutchison MediPharma Option Schemes 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 our 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 our LTIP.

Authorized Shares. Under our 2015 Option Scheme, our board of directors may "refresh" the scheme limit from time to time provided that the total number of shares which may be issued upon exercise of all options to be granted under our Option Schemes shall not exceed 10% of our total shares outstanding on such date. In addition, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the 2015 Option Scheme and any options granted and not yet exercised under any other schemes must not exceed 10% of the shares of the company in issue from time to time. In April 2020, our shareholders approved a refresh of the 2015 Option Scheme.

Following the 2015 Option Scheme refresh discussed above, 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 April 27, 2020 or (ii) 5% of the shares of Hutchison MediPharma Holdings outstanding on the date of adoption under the 2014 Hutchison MediPharma Option Scheme. Share awards under our LTIP may not exceed 5% of our shares outstanding on the adoption date of our LTIP.

Outstanding Awards

In the year ended December 31, 2020, we granted options to purchase an aggregate of 15,437,080 ordinary shares, representing approximately 2.1% of our outstanding share capital, at a weighted average exercise price of £3.71 ($5.01) per share under the 2015 Option Scheme. The options expire 10 years from the date of grant.

As of December 31, 2020, the following options were outstanding:

- options to purchase an aggregate of 1,116,180 ordinary shares, representing approximately 0.2% of our outstanding share capital, at a weighted average exercise price of £0.55 ($0.74) per ordinary share under the 2005 Option Scheme, and

- options to purchase an aggregate of 28,044,810 ordinary shares, representing approximately 3.9% of the outstanding share capital, at a weighted average exercise price of £3.53 ($4.77) per ordinary share under the 2015 Option Scheme.

In the year ended December 31, 2020, we granted awards under our LTIP to 373 senior managers, executives and directors, giving them a conditional right to receive ordinary shares to be purchased by the third-party trustee up to an aggregate maximum cash amount of $39,411,820. These awards are related to the achievement of performance targets. These LTIP awards vest after three years, subject to the continued employment of the LTIP holder.

In the year ended December 31, 2020, we granted non-performance LTIP awards in a total of $950,000 to three senior executives, which vests over four years at 25% per year subject to the continued employment of our LTIP holder. We also granted non-performance LTIP awards of $200,000 each to seven of our directors which are subject to a vesting schedule of 25% per year over four years.

As of December 31, 2020, LTIP awards representing a maximum cash amount of $34,491,924 were outstanding.

C. Board Practices.

Our board of directors consists of ten directors including four executive directors, two non-executive directors and four independent non-executive directors. Pursuant to a relationship agreement dated April 21, 2006, and amended and restated on June 13, 2019, by and between our company and Hutchison Whampoa (China) Limited, a parent company of Hutchison Healthcare Holdings Limited, or the Relationship Agreement, our board of directors must consist of at least one director who is independent of the CK Hutchison group if Hutchison Whampoa (China) Limited is entitled to cast at least 50% votes eligible to be cast on a poll vote at a general meeting of our company. The Relationship Agreement will continue in effect until our ordinary shares cease to be traded on the AIM market or the CK Hutchison group individually or collectively ceases to hold at least 30% of our shares.

Our directors are subject to a three-year term of office and hold office until such time as they wish to retire and not offer themselves up for re-election, are not re-elected by the shareholders, or are removed from office by special resolution at an annual general meeting of the shareholders. Under our Articles of Association, a director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) is found to be or becomes of unsound mind. For information regarding the period during which our officers and directors have served in their respective positions, please see Item 6.A. “Directors and Senior Management.”

Board Committees

Our board of directors has established an audit committee, remuneration committee, technical committee and nomination committee.

Audit Committee

Our audit committee consists of Graeme Jack, Paul Carter and Karen Ferrante, with Graeme Jack serving as chairman of the committee. Graeme Jack, Paul Carter and Karen Ferrante each meet the independence requirements under the rules of the Nasdaq Stock Market and under Rule 10A-3 under the Exchange Act. We have determined that Graeme Jack is an "audit committee financial expert" within the meaning of Item 407 of Regulation S-K. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq Stock Market.

Although we are a foreign private issuer, we are required to comply with Rule 10A-3 of the Exchange Act, relating to audit committee composition and responsibilities. Rule 10A-3 provides that the audit committee must have direct responsibility for the nomination, compensation and choice of our auditor, as well as control over the performance of their duties, management of complaints made, and selection of consultants. Under Rule 10A-3, if the governing law or documents of a listed issuer require that any such matter be approved by the board of directors or the shareholders of the company, the audit committee's responsibilities or powers with respect to such matter may instead be advisory. Our Articles of Association provide that the audit committee may only have an advisory role and appointment of our auditor must be decided by our shareholders at our annual general meeting or at a subsequent extraordinary general meeting in each year.

The audit committee formally meets at least twice a year and otherwise as required. The audit committee's purpose is to oversee our accounting and financial reporting process and the audit of our financial statements. Our audit committee's primary duties and responsibilities are to:

- monitor the integrity of our financial statements, our annual and half-year reports and accounts and our announcements of interim or final results;
- provide advice, where requested by the board of directors, on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess our company's position and performance, business model and strategy;
- review significant financial reporting issues and the judgments which they contain;
- review, whenever practicable without being inconsistent with any requirement for prompt reporting under applicable listing rules, other statements containing financial information such as significant financial returns to regulators and release of price sensitive information first where board of director approval is required; and
- review and challenge where necessary:
    - the consistency of, and any changes to, accounting policies both on a year-on-year basis and across our company;
    - the methods used to account for significant or unusual transactions where different approaches are possible;
    - whether our company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
    - the clarity of the disclosure in our financial reports and the context in which statements are made; and
    - all material information presented with the financial statements, such as any operating and financial review and any corporate governance statements (insofar as it relates to the audit and risk management).

In relation to our internal controls and risk management systems, our audit committee, among other things:

- reviews the effectiveness of our internal control and risk management systems;

- 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;

- approves the appointment and removal of the head of the internal audit function;

- ensures our internal audit function has adequate standing and resources and is free from management or other restrictions;

- reviews and monitors our executive management's responsiveness to the findings and recommendations of the internal audit function; and

- reviews with management and our independent auditors the adequacy and effectiveness of our internal control over financial reporting and disclosure controls and procedures.

In relation to our external auditor, our audit committee, among other things:

- recommends the appointment, reappointment or removal of the external auditor and considers any issues relating to their resignation, dismissal, remuneration or terms of engagement, subject to approval by the shareholders;

- considers and monitors the external auditor's independence, objectivity and effectiveness;

- reviews and monitors the effectiveness of the audit process, considering relevant ethical or professional requirements;

- develops and implements policy on the engagement of the external auditor to provide non-audit services, taking into any relevant ethical guidance; and

- pre-approves the external auditors' annual audit fees and the nature and scope of proposed audit coverage, subject to approval by our shareholders.

The audit committee is authorized to obtain, at our company's expense, reasonable outside legal or other professional advice on any matters within the scope of its responsibilities.

Remuneration Committee

Our remuneration committee consists of Paul Carter, Graeme Jack and Simon To, with Paul Carter serving as chairman of the committee. The remuneration committee is responsible for considering all material elements of remuneration policy and remuneration and incentives of our executive directors and key employees with reference to independent remuneration research and professional advice. The remuneration committee meets formally at least once each year and otherwise as required and make recommendations to our board of directors on the framework for executive remuneration and on proposals for the granting of share options and other equity incentives. Our board of directors is responsible for implementing these recommendations and agreeing the remuneration packages of individual directors. No director is permitted to participate in discussions or decisions concerning his or her own remuneration.

Technical Committee

Our technical committee consists of Karen Ferrante, Paul Carter, Simon To, Christian Hogg, Weiguo Su and Tony Mok, with Karen Ferrante serving as chairperson of the 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. It invites such executives as it deems appropriate to participate in meetings from time to time.

Nomination Committee

Our nomination committee consists of Tony Mok, Graeme Jack and Simon To, with Tony Mok serving as chairman of the committee. Our nomination committee reviews the structure, size, diversity profile and skills set of the board against its needs and makes recommendations on the composition of the board to achieve our corporate strategy as well as promote shareholder value. It facilitates the board in the conduct of the selection and nomination of directors, makes recommendations to the board on the appointment or reappointment of directors and succession planning for directors. It also assesses director independence having regard to the criteria under the applicable corporate governance code, SEC or stock exchange rules.

U.K. Corporate Governance Code

The U.K. Corporate Governance Code 2018 published by the U.K. Financial Reporting Council, or the 2018 Code, is the primary source of corporate governance standards for all companies with a premium listing on the Official List of the U.K. Financial Conduct Authority, whether incorporated in the United Kingdom or elsewhere, and it is recognized as a best practice for the largest companies by market capitalization on the AIM market of the London Stock Exchange. The 2018 Code is comprised of main and supporting principles of good governance addressing the following areas: (i) board leadership and company purpose; (ii) division of responsibilities; (iii) board composition, succession and evaluation; (iv) audit, risk and internal control; and (v) remuneration. Together with the U.K. Financial Reporting Council's Guidance on Board Effectiveness (published in July 2018), it also includes detailed recommendations derived from these principles, such as the roles of board chairman and chief executive officer should not be exercised by the same individual and the chairman of the board should ensure that new directors receive a full, formal and tailored induction on joining the board. The 2018 Code applies to accounting periods beginning on or after January 1, 2019. For the year ended December 31, 2019, we have voluntarily complied with many of the principles of the U.K. Corporate Governance Code.

Code of Ethics

Our board of directors 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.

Code of Ethics for Business Partners

Our board of directors has adopted a code of ethics for our business partners, including our suppliers, vendors, customers, agents, contractors, joint venture partners and representatives. This code of ethics contains general guidelines to promote the standards outlined in our internal code of ethics as described above.

Complaints Procedures

Our board of directors has adopted procedures 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.

Information Security Policy

Our board of directors has adopted an information security policy to define and help communicate the common policies for information confidentiality, integrity and availability to be applied to us 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.

Code on Dealings in Shares

Our board of directors has adopted a policy on the handling of material inside information, consisting of information which is either "inside information" under the EU Market Abuse Regulation (Regulation (EU) 596/2014), or MAR, or "material non-public information" under U.S. law. This policy, among other things, prohibits any employees, directors, other persons discharging managerial responsibilities or their connected persons dealing in our securities or their derivatives, or those of our collaborators, business partners, suppliers and customers, while in possession of material inside information. Certain members of our senior management or staff, including persons discharging managerial responsibilities, and their connected persons are subject to additional compliance requirements which are outlined in the code (including but not limited to obtaining written pre-clearance from designated members of management prior to any dealing in any such securities is allowed).

Board Diversity Policy

Our board of directors has established a board diversity policy as our board of directors recognizes the benefits of a board of directors that possesses a balance of skills, experience, expertise, independence and knowledge and diversity of perspectives appropriate to the requirements of our businesses.

We maintain that appointment to our board of directors should be based on merit that complements and expands the skills, experience, expertise, independence and knowledge of the board of directors as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that our board of directors might consider relevant and applicable from time to time towards achieving a diverse board of directors.

D. 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. The number of employees by function as of the end of the period for our fiscal years ended December 31, 2018, 2019 and 2020 was as follows:

	2020	2019	2018
By Function:			
Oncology/Immunology	643	500	418
Other Ventures	594	315	267
Corporate Head Office	43	38	29
Total	1,280	853	714

As of December 31, 2020, a total of 347 employees on our Oncology/Immunology research and development team have M.D. or Ph.D. degrees. Additionally, our Other Ventures 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. To 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 our employees to be good.

E. Share Ownership.

See Item 6.B. "Compensation" and Item 7 "Major Shareholders and Related Party Transactions."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders.

We had 727,722,215 ordinary shares outstanding as of March 1, 2021. The following table and accompanying footnotes set forth information relating to the beneficial ownership of our ordinary shares as of December 31, 2020 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding ordinary shares;
- each of our directors; and
- each of our named executive officers.

Our major shareholders do not have voting rights that are different from our shareholders in general. Beneficial ownership is determined in accordance with the rules and regulations of the SEC.

Name of beneficial owner	Number of Ordinary Share held	Number of American Depositary Share held	Appropriate percent of Issued Share Capital**
Executive Officers and Directors:**			
Christian Hogg	10,938,020	132,620(1)	1.59%
Johnny Cheng	2,561,460	34,496(1)	*
Simon To	1,800,000	133,237	*
Edith Shih	700,000	100,000	*
Weiguo Su	4,750,000(2)	111,146(1)	*
Dan Eldar	19,000	8,993	*
Tony Mok	—	10,002	*
Paul Carter	35,240	—	*
Karen Ferrante	—	5,785	*
Graeme Jack	—	3,000	*
May Wang	*(2)	*(1)	*
Zhenping Wu	*(2)	*(1)	*
Mark Lee	*(2)	*(1)	*
All Executive Officers and Directors as a Group	23,766,250(3)	596,116(1)	3.68%
Principal Shareholders:			
Hutchison Healthcare Holdings Limited(4)	332,478,770	—	45.69%
Capital International Investors(5)	2,306,477	10,130,453	7.27%
General Atlantic Singapore HCM Pte. Ltd.(6)	36,666,670(7)	—	5.04%

Notes:

* Less than 1% of our total outstanding ordinary shares.

** Percentage of beneficial ownership of each listed person or group is based on 727,722,215 ordinary shares outstanding as of March 1, 2021.

(1) Amount includes ADSs vested under the LTIP and ADSs issuable upon vesting of options within 60 days of March 1, 2021.

(2) Amount includes ordinary shares issuable upon vesting of options within 60 days of March 1, 2021.

(3) Amount includes ordinary shares and ordinary shares issuable upon vesting of options within 60 days of March 1, 2021 held by our executive officers and directors as group.

(4) Hutchison Healthcare Holdings Limited, a British Virgin Islands company, is an indirect wholly owned subsidiary of CK Hutchison, a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange. The registered address of Hutchison Healthcare Holdings Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

(5) Based on information included in the Schedule 13G filed by Capital International Investors on February 16, 2021.

(6) Based on information included in the Schedule 13D filed by General Atlantic Singapore HCM Pte. Ltd. and affiliated entities on July 6, 2020.

(7) Includes 16,666,670 ordinary shares that may be issued pursuant to a warrant, which is exercisable, in part or in whole, at any time after July 2, 2020 and ending on January 3, 2022.

As of March 1, 2021, based on public filings with the SEC and on AIM, there are 3 major shareholders holding 5% or more of our ordinary shares or ADSs representing ordinary shares, except as described above. As of March 1, 2021, there were three ordinary shareholders of record with an address in the United States. Deutsche Bank Trust Company America, as depositary of our ADS program, held 269,543,005 ordinary shares as of that date in the name of DB London (Investors Services) Nominees Limited.

To our knowledge, except as disclosed above, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal person or persons, severally or jointly. To our knowledge, there are no arrangements the operation of which may at a subsequent date result in us undergoing a change in control. Our major shareholders do not have different voting rights than any of our other shareholders.

B. Related Party Transactions.

Relationship with CK Hutchison

Letters of awareness with respect to loans

CK Hutchison has provided letters of awareness to certain of our lenders stating that it is aware that loan facilities have been provided to us and that its current intention is that for so long as amounts are outstanding under such loan facilities, it will not reduce its direct or indirect shareholding in our company to below 40% of our issued share capital while such loans are outstanding.

Relationship Agreement with the CK Hutchison group

We entered into a relationship agreement dated April 21, 2006, which was amended and restated on June 13, 2019 with effect from June 3, 2015, with Hutchison Whampoa (China) Limited, which is an indirect wholly owned subsidiary of CK Hutchison, with a view to ensuring that our company is capable of carrying on its business independently of the CK Hutchison group. We refer to this agreement as the Relationship Agreement. The Relationship Agreement provides, among other things, that all transactions between any of us or our joint ventures, on the one hand, and the CK Hutchison 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. The Relationship Agreement further provides that the approval of our board of directors shall be required for any transaction between any of us or our joint ventures, on one hand, and the CK Hutchison group, on the other hand, and that in approving any such transaction, our board of directors must consist of at least one director who is independent of CK Hutchison. Our board of directors must consist of at least one director who is independent of the CK Hutchison group if Hutchison Whampoa (China) Limited is entitled to cast at least 50% votes eligible to be cast on a poll vote at a general meeting of our company, see Item 6.C. "Directors, Senior Management and Employees—Board Practices." Hutchison Whampoa (China) Limited has also agreed to procure that each member of the Hutchison Whampoa (China) Limited group will not exercise its voting rights and powers so as to amend our Memorandum or Articles of Association in a manner which is inconsistent with the Relationship Agreement. The Relationship Agreement will continue until the first to occur of: (i) our shares ceasing to be traded on the AIM market or (ii) the CK Hutchison group individually or collectively cease to hold or control the exercise of at least 30% or more of the rights to vote at our general meetings.

Products sold to group companies of CK Hutchison

We have entered into agreements with members of the CK Hutchison group, including the retail grocery and pharmacy chains PARKnSHOP and Watsons which are owned and operated by the A.S. Watson Group, an indirect subsidiary of CK Hutchison, in respect of the distribution of certain of our consumer health products. For the year ended December 31, 2020, sales of our products to members of the CK Hutchison group amounted to $5.5 million. In addition, for the year ended December 31, 2020, we paid approximately $0.3 million to members of the CK Hutchison group for the provision of marketing services associated with these products. Our sales to CK Hutchison group companies are made pursuant to purchase orders issued by each purchaser periodically, the terms of which are on an arm's length basis on normal commercial terms.

See Item 3.D. "Risk Factors—Risks Relating to Our Dependence on Third Parties—There is no assurance that the benefits currently enjoyed by virtue of our association with CK Hutchison will continue to be available" for more information on the risks associated with our relationship with CK Hutchison's group companies.

Intellectual property licensed by the CK Hutchison group

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. We have entered into a brand license agreement dated April 21, 2006 (as amended and restated on June 13, 2019 with effect from June 3, 2015) with Hutchison Whampoa Enterprises Limited, which is 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. We refer to this amended and restated agreement as the Brand License Agreement. We are also permitted to sub-license such intellectual property rights to our affiliates.

The Brand License Agreement contains provisions on quality control pursuant to which we are obliged to use the brands and related materials in compliance with the brand guidelines, industry best practice and other quality directives issued by Hutchison Whampoa Enterprises Limited from time to time. Under this agreement, we assign all intellectual property rights, including future copyrights in any works incorporating brand-related material or translations thereof, to Hutchison Whampoa Enterprises Limited (subject to any third-party rights).

Hutchison Whampoa Enterprises Limited may terminate the Brand License Agreement (or any sub-license) if, among other things, we commit a material breach of the agreement, or within any twelve-month period aggregate direct or indirect shareholding in our company held by Hutchison Whampoa Limited, our indirect shareholder, is reduced to less than 40%, 30% or 20%. On termination of the Brand License Agreement, we (and any sub-licensees) must immediately cease using the brands and are obliged to withdraw from the sale of any products bearing the brands; provided that if the agreement is terminated following a change in Hutchison Whampoa Limited's aggregate direct or indirect shareholding in our company, we will have a six-month transitional period during which we can continue to use the licensed rights. Hutchison Whampoa Limited's interest in our company is less than 20%, but we do not anticipate that Hutchison Whampoa Enterprises Limited will terminate such license in the foreseeable future.

Hutchison Whampoa Enterprises Limited has also granted a royalty-free license to use the Hutchison name and associated trademarks to Hutchison Baiyunshan. The license has a term equal to the operational period of the joint venture but may be terminated by the licensor if, among other things, Hutchison Baiyunshan is in breach of the terms of the license and fails to remedy that breach after an arbitration award is issued against Hutchison Baiyunshan, the joint venture agreement terminates, or our company's interest in Hutchison Baiyunshan falls below 50%.

Sharing of services with the CK Hutchison group

Pursuant to an amended and restated services agreement dated January 1, 2016 between us and Hutchison Whampoa (China) Limited, an indirect wholly owned subsidiary of CK Hutchison, we share certain services with and receive operational support from the CK Hutchison group including, among others, legal and regulatory services, company secretarial support services, tax and internal audit services, shared use of accounting software system and related 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 refer to this amended and restated agreement as the Services Agreement. The Services Agreement replaces our prior services agreement with Hutchison Whampoa (China) Limited, dated April 21, 2006, which had substantially similar terms. We pay a management fee to Hutchison Whampoa (China) Limited for the provision of such services. In addition, we make payments under the Services Agreement to Hutchison Whampoa (China) Limited for our executive offices in Hong Kong. Furthermore, pursuant to the terms of the Services Agreement, Hutchison Whampoa (China) Limited charges us management fees and other costs through Hutchison Healthcare Holdings Limited, its wholly owned subsidiary.

The Services Agreement may be terminated by either party by giving three months' written notice. Hutchison Whampoa (China) Limited may also immediately terminate if its shareholding in our company falls below 30%. The services provided under the Services Agreement are provided on an arm's length basis, on normal commercial terms.

Any amount unpaid after 30 days accrues interest at the rate of 1.5% per annum. In the year ended December 31, 2020, we paid a management fee of approximately $1.0 million under the Services Agreement. As of December 31, 2020, we had $0.4 million in unpaid fees outstanding to Hutchison Whampoa (China) Limited.

Agreements with Our Directors and Executive Officers

Director and Executive Officer Compensation

See Item 6.B. "Compensation—Executive Officer Compensation" and "Compensation—Director Compensation" for a discussion of our compensation of directors and executive officers.

Equity Compensation

See Item 6.B. "Compensation—Equity Compensation Schemes and Other Benefit Plans."

Employment Agreements

We have entered into employment agreements with our executive officers. For more information regarding these agreements, see Item 6.B. "Compensation—Executive Officer Compensation—Employment Arrangements with our Executive Officers."

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.

C. Interests of Experts and Counsel.

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Financial Statements and Other Financial Information.

See Item 18 "Financial Statements."

A.7 Legal Proceedings.

There are no material legal proceedings pending or, to our knowledge, threatened against us. From time to time we 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. Such legal proceedings or claims, even if not meritorious, could result in the expenditure of significant financial and management resources.

A.8 Dividend Policy.

We have never declared or paid dividends on our ordinary 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 of directors in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition, and contractual restrictions.

B. Significant Changes.

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

Not applicable except for Item 9.A.4 and Item 9.C.

Our ADSs are listed on the Nasdaq Global Select and our ordinary shares are admitted to trading on the AIM market of the London Stock Exchange under the symbol "HCM." Our ticker symbol will remain unchanged after our corporate name change as described under "Item 4.A. History and Development of the Company."

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

The information contained in Exhibit 2.4 to our annual report on Form 20-F/A filed with the SEC on April 29, 2020 is incorporated herein by reference.

C. Material Contracts.

Except as otherwise disclosed in this annual report (including the exhibits hereto), we are not currently, and have not been in the last two years, party to any material contract, other than contracts entered into in the ordinary course of our business.

D. Exchange Controls.

Foreign currency exchange in the PRC is primarily governed by the Foreign Exchange Administration Rules issued by the State Council on January 29, 1996 and effective as of April 1, 1996 (and amended on January 14, 1997 and August 5, 2008) and the Regulations of Settlement, Sale and Payment of Foreign Exchange which came into effect on July 1, 1996.

Under the Foreign Exchange Administration Rules, renminbi is freely convertible for current account items, including the distribution of dividends payments, interest payments, and trade and service-related foreign exchange transactions. Conversion of renminbi for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is still generally subject to the approval or verification of the SAFE.

Under the Regulations of Settlement, Sale and Payment of Foreign Exchange, foreign invested enterprises including wholly foreign owned enterprises, may buy, sell or remit foreign currencies only at those banks that are authorized to conduct foreign exchange business after providing such banks with valid commercial supporting documents and, in the case of capital account item transactions, after obtaining approvals from the SAFE. Capital investments by foreign invested enterprises outside the PRC are also subject to limitations, which include approvals by the MOFCOM, the SAFE and the NDRC.

In March 2015, the SAFE released the Circular on Reforming the Management Approach regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or FIEs, or the Foreign Exchange Capital Settlement Circular, which became effective from June 1, 2015. This circular replaced the SAFE's previous related circulars, including the Circular on Issues Relating to the Improvement of Business Operation with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign Invested Enterprises. The Foreign Exchange Capital Settlement Circular clarifies that FIEs may settle a specified proportion of their foreign exchange capital in banks at their discretion, and may choose the timing for such settlement. The proportion of foreign exchange capital to be settled at FIEs' discretion for the time being is 100% and the SAFE may adjust the proportion in due time based on the situation of international balance of payments. The circular also stipulates that FIEs' usage of capital and settled foreign exchange capital shall comply with relevant provisions concerning foreign exchange control and be subject to the management of a negative list. The FIEs' capital and Renminbi capital gained from the settlement of foreign exchange capital may not be directly or indirectly used for expenditure beyond the business scope of the FIEs or as prohibited by laws and regulations of the PRC. Such capital also may not be directly or indirectly used for issuing renminbi entrusted loans except as permitted by the business scope of the FIE, for repaying inter-enterprise borrowings including any third-party advance, or for repaying the bank loans denominated in renminbi that have been sub-lent to a third party.

In addition, the payment of dividends by entities established in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries and joint ventures that is a domestic company is also required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the accumulative amount of such reserves reach 50.0% of its respective registered capital. These restricted reserves are not distributable as cash dividends. In addition, if any of our PRC subsidiaries or joint ventures incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

For more information about foreign exchange control, see Item 3.D. "Risk Factors—Other Risks and Risks Relating to Doing Business in China—Restrictions on currency exchange may limit our ability to receive and use our revenue effectively."

E. Taxation

The following is a general summary of certain PRC, Hong Kong, Cayman Islands and U.S. federal income tax consequences relevant to the acquisition, ownership and disposition of our ADSs. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular individual. The discussion is based on laws and relevant interpretations thereof in effect as of March 1, 2021, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the PRC, Hong Kong, the Cayman Islands and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and ordinary shares.

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 FIEs) 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 ADS holders or any gains realized by such investors from the transfer of shares or ADSs 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 or ADS holders, as well as gains realized by such investors from the transfer of our shares or ADSs 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 (including our ADS holders) 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 FIEs 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.

Value Added Tax

The Interim Regulations of the PRC on VAT, or the VAT Regulations, came into effect on January 1, 2009 (subsequently amended on February 6, 2016 and November 19, 2017). Pursuant to the VAT Regulations, VAT is imposed on the goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The MOF, and the SAT jointly promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of VAT in Lieu of Business Tax, or the 2016 VAT Circular, on March 23, 2016, which came into effect on May 1, 2016. Pursuant to the 2016 VAT Circular, the sale of services, intangible assets or real property within the PRC (including when either party of a transaction is within the PRC unless in specified situations) is subject to VAT instead of Business Tax, with VAT rates being 6%, 11% or 17% and could be zero for certain specified cross border taxable items/services, in accordance with the relevant regulations. Certain specified technology transfer/development related income are exempt from VAT, subject to approval of relevant tax authorities. According to the Notice of the MOF and the SAT on Adjusting VAT Rates, which was promulgated on April 4, 2018 and became effective on May 1, 2018, the VAT rates are revised to 6%, 10% or 16%. The Public Notice regarding certain Policies for Deepening the VAT Reform was promulgated on March 20, 2019 and became effective on April 1, 2019, whereby VAT rates are further revised to 6%, 9% or 13%.

A Municipal Maintenance Tax, together with Education Surcharge and a Local Education Surcharge, are payable at a rate, in aggregate, of 6% to 12% of the VAT paid.

Overview of Tax Implications of Various Other Jurisdictions

Cayman Islands Taxation

According to our Cayman Islands counsel, Conyers Dill & Pearman, 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, Hutchison China MediTech Limited 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.

Hong Kong Taxation

Profits Tax

Hutchison China MediTech Limited 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% (except portions eligible for the two-tiered profits tax as discussed above). Dividend income earned by a Hong Kong tax resident is generally not subject to Hong Kong Profits Tax.

Hong Kong tax on shareholders and ADS holders

No tax is payable in Hong Kong in respect of dividends paid by a Hong Kong tax resident to their shareholders, including our ADS holders.

Hong Kong Profits Tax will not be payable by our shareholders, including our ADS holders (other than shareholders / ADS holders carrying on a trade, profession or business in Hong Kong and holding the shares / ADSs for trading purposes), on any capital gains made on the sale or other disposal of the ADSs. Shareholders, including our ADS holders, should take advice from their own professional advisors as to their particular tax position.

No Hong Kong Stamp Duty is payable by our shareholders, including our ADS holders.

U.S. Taxation

Corporate Tax

Our subsidiary in the United States, Hutchison MediPharma International Inc., which has operations in New Jersey and New York, is subject to a federal corporate tax of 21%, a New Jersey state income tax of 11.5%, a New York state income tax of 6.5% and other local taxes.

Material U.S. Federal Income Tax Considerations with Respect to Ordinary Shares and ADSs

The following summary, subject to the limitations set forth below, describes the material U.S. federal income tax consequences for a U.S. Holder (as defined below) of the acquisition, ownership and disposition of ordinary shares and ADSs. It is not a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire securities. This discussion is limited to U.S. Holders who hold such ordinary shares or ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code, for tax purposes (generally, property held for investment). For purposes of this summary, a "U.S. Holder" is a beneficial owner of an ordinary share or ADS that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) it has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court can exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions.

Except as explicitly set forth below, this summary does not address aspects of U.S. federal income taxation that may be applicable to U.S. Holders subject to special rules, including:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons holding our ordinary shares or ADSs through a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) or S corporation;
- dealers or traders in securities, commodities or currencies;
- persons whose functional currency is not the U.S. dollar;
- U.S. expatriates and certain former citizens or former long-term residents of the United States;

- persons required under Section 451(b) of the Code to conform to the timing of income accruals with respect to our ADSs or the ordinary shares represented by such ADSs;

- persons holding our ordinary shares or ADSs as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or

- direct, indirect or constructive owners of 10% or more of our equity (by vote or value).

In addition, this summary does not address the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of our ordinary shares or ADSs. We have not received nor do we expect to seek a ruling from the U.S. Internal Revenue Service, or the IRS, regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of those set forth below. Each prospective investor should consult its own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of our ordinary shares and ADSs.

This discussion is based on the Code, U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, and the income tax treaty between the PRC and the United States, or the U.S.- PRC Tax Treaty, each as available and in effect on the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax consequences described herein. In addition, this summary assumes representations made by the depositary to us in the deposit agreement are true and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our ordinary shares or ADSs, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisors as to the U.S. federal income tax consequences of acquiring, owning and disposing of our ordinary shares or ADSs.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE PARTICULAR TAX CONSEQUENCES APPLICABLE TO THEIR SITUATIONS AS WELL AS THE APPLICATION OF ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

ADSs

A U.S. Holder of ADSs will generally be treated, for U.S. federal income tax purposes, as the owner of the underlying ordinary shares that such ADSs represent. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom ADSs are released before shares are delivered to the depositary or intermediaries in the chain of ownership between holders and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the creditability of non-U.S. withholding taxes (if any), and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries. For purposes of the discussion below, we assume that intermediaries in the chain of ownership between the holder of an ADS and us are acting consistently with the claim of U.S. foreign tax credits by U.S. Holders.

Taxation of Dividends

As described in "Dividend Policy" above, we do not currently anticipate paying any distributions on our ordinary shares or ADSs in the foreseeable future. However, to the extent there are any distributions made with respect to our ordinary shares or ADSs, and subject to the discussion under "—Passive Foreign Investment Company Considerations" below, the gross amount of any such distribution (including withheld taxes, if any) made out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be taxable to a U.S. Holder as ordinary dividend income on the date such distribution is actually or constructively received. Distributions in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the ordinary shares or ADSs, as applicable, and thereafter as capital gain. However, because we do not maintain calculations of our earnings and profits in accordance with U.S. federal income tax accounting principles, U.S. Holders should expect to treat distributions paid with respect to our ordinary shares and ADSs as dividends. Dividends paid to corporate U.S. Holders generally will not qualify for the dividends received deduction that may otherwise be allowed under the Code. This discussion assumes that distributions made by us, if any, will be paid in U.S. dollars.

Dividends paid to a non-corporate U.S. Holder by a "qualified foreign corporation" may be subject to reduced rates of U.S. federal income taxation if certain holding period and other requirements are met. A qualified foreign corporation generally includes a foreign corporation (other than a PFIC) if (1) its ordinary shares (or ADSs backed by ordinary shares) are readily tradable on an established securities market in the United States or (2) it is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes.

IRS guidance indicates that our ADSs (which are listed on the Nasdaq Global Select Market) are readily tradable for purposes of satisfying the conditions required for these reduced tax rates. We do not expect, however, that our ordinary shares will be listed on an established securities market in the United States and therefore do not believe that any dividends paid on our ordinary shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in subsequent years.

The United States does not have a comprehensive income tax treaty with the Cayman Islands. However, in the event that we were deemed to be a PRC resident enterprise under the EIT Law (see "—Taxation in the PRC" above), although no assurance can be given, we might be considered eligible for the benefits of the U.S.-PRC Tax Treaty for purposes of these rules. U.S. Holders should consult their own tax advisors regarding the availability of the reduced tax rates on dividends paid with respect to our ordinary shares or ADSs in light of their particular circumstances.

Non-corporate U.S. Holders will not be eligible for reduced rates of U.S. federal income taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year unless, under certain circumstances, the "deemed sale election" described below under "—Passive Foreign Investment Company Considerations—Status as a PFIC" has been made.

In the event that we were deemed to be a PRC resident enterprise under the EIT Law (see "—Taxation in the PRC" above), U.S. Holders might be subject to PRC withholding taxes on dividends paid by us. In that case, subject to certain conditions and limitations, such PRC withholding tax may be treated as a foreign tax eligible for credit against a U.S. Holder's U.S. federal income tax liability under the U.S. foreign tax credit rules. For purposes of calculating the U.S. foreign tax credit, dividends paid on our ordinary shares or ADSs, will be treated as income from sources outside the United States and will generally constitute passive category income. If a U.S. Holder is eligible for U.S.-PRC Tax Treaty benefits, any PRC taxes on dividends will not be creditable against such U.S. Holder's U.S. federal income tax liability to the extent such tax is withheld at a rate exceeding the applicable U.S.-PRC Tax Treaty rate. An eligible U.S. Holder who does not elect to claim a foreign tax credit for PRC tax withheld may instead be eligible to claim a deduction, for U.S. federal income tax purposes, in respect of such withholding but only for the year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The U.S. foreign tax credit rules are complex. U.S. Holders should consult their own tax advisors regarding the foreign tax credit rules in light of their particular circumstances.

Taxation of Capital Gains

Subject to the discussion below in "—Passive Foreign Investment Company Considerations," upon the sale, exchange, or other taxable disposition of our ordinary shares or ADSs, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between the amount realized on such sale or exchange (determined in the case of sales or exchanges in currencies other than U.S. dollars by reference to the spot exchange rate in effect on the date of the sale or exchange or, if sold or exchanged on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and the U.S. Holder's adjusted tax basis in such ordinary shares or ADSs determined in U.S. dollars. A U.S. Holder's initial tax basis will be the U.S. Holder's U.S. dollar purchase price for such ordinary shares or ADSs.

Assuming we are not a PFIC and have not been treated as a PFIC during the U.S. Holder's holding period for its ordinary shares or ADSs, such gain or loss will be capital gain or loss. Under current law, capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders are encouraged to consult their own tax advisors regarding the availability of the U.S. foreign tax credit in consideration of their particular circumstances.

If we were treated as a PRC resident enterprise for EIT Law purposes and PRC tax were imposed on any gain (see "—Taxation in the PRC" above), and if a U.S. Holder is eligible for the benefits of the U.S.-PRC Tax Treaty, the holder may be able to treat such gain as PRC source gain under the treaty for U.S. foreign tax credit purposes. A U.S. Holder will be eligible for U.S.-PRC Tax Treaty benefits if (for purposes of the treaty) such holder is a resident of the United States and satisfies the other requirements specified in the U.S.-PRC Tax Treaty. Because the determination of treaty benefit eligibility is fact-intensive and depends upon a holder's particular circumstances, U.S. Holders should consult their tax advisors regarding U.S.-PRC Tax Treaty benefit eligibility. U.S. Holders are also encouraged to consult their own tax advisors regarding the tax consequences in the event PRC tax were to be imposed on a disposition of ordinary shares or ADSs, including the availability of the U.S. foreign tax credit and the ability and whether to treat any gain as PRC source gain for the purposes of the U.S. foreign tax credit in consideration of their particular circumstances.

Additional Tax on Net Investment Income

An additional 3.8% tax is imposed on the "net investment income" of certain U.S. citizens and resident aliens, and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" would generally include dividends on and gains from the sale or other disposition of ordinary shares or ADSs. You should consult your own tax advisor regarding the application of this tax.

Passive Foreign Investment Company Considerations

Status as a PFIC. The rules governing PFICs can result in adverse tax consequences to U.S. Holders. We generally will be classified as a PFIC for U.S. federal income tax purposes if, for any taxable year, either: (1) 75% or more of our gross income consists of certain types of passive income, or (2) the average value (determined on a quarterly basis), of our assets that produce, or are held for the production of, passive income is 50% or more of the value of all of our assets.

Passive income generally includes dividends, interest, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income. Under this rule, we should be deemed to own a proportionate share of the assets and to have received a proportionate share of the income of our principal subsidiaries, including Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited and Shanghai Hutchison Pharmaceuticals Limited, for purposes of the PFIC determination.

Additionally, if we are classified as a PFIC in any taxable year with respect to which a U.S. Holder owns ordinary shares or ADSs, we generally will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding taxable years, regardless of whether we continue to meet the tests described above, unless the U.S. Holder makes the "deemed sale election" described below. Furthermore, if we are treated as a PFIC, then one or more of our subsidiaries may also be treated as PFICs.

Based on certain estimates of our gross income and gross assets (which estimates are inherently imprecise) and the nature of our business, we do not believe that we are currently a PFIC. Notwithstanding the foregoing, the determination of whether we are a PFIC is made annually and depends on particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and also may be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (a) the market price of our ADSs, which is likely to fluctuate, and (b) the composition of our income and assets, which will be affected by how, and how quickly, we spend any cash that is raised in any financing transaction. In light of the foregoing, no assurance can be provided that we are not currently a PFIC or that we will not become a PFIC in any future taxable year. Prospective investors should consult their own tax advisors regarding our PFIC status.

U.S. federal income tax treatment of a shareholder of a PFIC. If we are classified as a PFIC for any taxable year during which a U.S. Holder owns ordinary shares or ADSs, the U.S. Holder, absent certain elections (including the mark-to-market and QEF elections described below), generally will be subject to adverse rules (regardless of whether we continue to be classified as a PFIC) with respect to (1) any "excess distributions" (generally, any distributions received by the U.S. Holder on its ordinary shares or ADSs in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period) and (2) any gain realized on the sale or other disposition, including a pledge, of such ordinary shares or ADSs.

Under these rules (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are classified as a PFIC will be taxed as ordinary income and (c) the amount allocated to each other taxable year during the U.S. Holder's holding period in which we were classified as a PFIC (i) will be subject to tax at the highest rate of tax in effect for the applicable category of taxpayer for that year and (ii) will be subject to an interest charge at a statutory rate with respect to the resulting tax attributable to each such other taxable year. In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

If we are classified as a PFIC, a U.S. Holder will generally be treated as owning a proportionate amount (by value) of stock or shares owned by us in any direct or indirect subsidiaries that are also PFICs and will be subject to similar adverse rules with respect to any distributions we receive from, and dispositions we make of, the stock or shares of such subsidiaries. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any of our subsidiaries.

If we are classified as a PFIC and then cease to be so classified, a U.S. Holder may make an election (a "deemed sale election") to be treated for U.S. federal income tax purposes as having sold such U.S. Holder's ordinary shares or ADSs on the last day of our taxable year during which we were a PFIC. A U.S. Holder that makes a deemed sale election would then cease to be treated as owning stock in a PFIC. However, gain recognized as a result of making the deemed sale election would be subject to the adverse rules described above and loss would not be recognized.

PFIC "mark-to-market" election. In certain circumstances, a holder of "marketable stock" of a PFIC can avoid certain of the adverse rules described above by making a timely mark-to-market election with respect to such stock. For purposes of these rules "marketable stock" is stock which is "regularly traded" (traded in greater than de minimis quantities on at least 15 days during each calendar quarter) on a "qualified exchange" or other market within the meaning of applicable U.S. Treasury Regulations. A "qualified exchange" includes a national securities exchange that is registered with the SEC.

A U.S. Holder that makes a timely mark-to-market election must include in gross income, as ordinary income, for each taxable year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the U.S. Holder's ordinary shares or ADSs that are "marketable stock" at the close of the taxable year over the U.S. Holder's adjusted tax basis in such ordinary shares or ADSs. An electing U.S. Holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted tax basis in such ordinary shares or ADSs over their fair market value at the close of the taxable year, but this deduction is allowable only to the extent of any net mark-to-market gains previously included in income pursuant to the timely mark-to-market election. The adjusted tax basis of a U.S. Holder's ordinary shares or ADSs with respect to which the timely mark-to-market election applies would be adjusted to reflect amounts included in gross income or allowed as a deduction because of such election. If a U.S. Holder makes an effective mark-to-market election with respect to our ordinary shares or ADSs, gains from an actual sale or other disposition of such ordinary shares or ADSs in a year in which we are a PFIC would be treated as ordinary income, and any losses incurred on such sale or other disposition would be treated as ordinary losses to the extent of any net mark-to-market gains previously included in income.

If we are classified as a PFIC for any taxable year in which a U.S. Holder owns ordinary shares or ADSs but before a timely mark-to-market election is made, the adverse PFIC rules described above will apply to any mark-to-market gain recognized in the year the election is made. Otherwise, a timely mark-to-market election will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares or ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. Our ADSs are listed on the Nasdaq Global Select Market, which is a qualified exchange or other market for purposes of the mark-to-market election. Consequently, if the ADSs continue to be so listed, and are "regularly traded" for purposes of these rules (for which no assurance can be given) we expect that the mark-to-market election would be available to a U.S. Holder with respect to our ADSs.

A mark-to-market election is not permitted for the shares of any of our subsidiaries that are also classified as PFICs. Prospective investors should consult their own tax advisors regarding the availability of, and the procedure for, and the effect of making, a mark-to-market election, and whether making the election would be advisable, including in light of their particular circumstances.

PFIC "QEF" election. In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC tax consequences described above by obtaining certain information from the PFIC and by making a timely QEF election to be taxed currently on its share of the PFIC's undistributed income. We do not, however, expect to provide the information regarding our income that would be necessary in order for a U.S. Holder to make a timely QEF election if we were classified as a PFIC.

PFIC information reporting requirements. If we are classified as a PFIC in any year with respect to a U.S. Holder, such U.S. Holder will be required to file an annual information return on IRS Form 8621 regarding distributions received on, and any gain realized on the disposition of, our ordinary shares and ADSs, and certain U.S. Holders will be required to file an annual information return (also on IRS Form 8621) relating to their ownership interest.

NO ASSURANCE CAN BE GIVEN THAT WE ARE NOT CURRENTLY A PFIC OR THAT WE WILL NOT BECOME A PFIC IN THE FUTURE. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE OPERATION OF THE PFIC RULES AND RELATED REPORTING REQUIREMENTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE ADVISABILITY AND EFFECTS OF MAKING ANY ELECTION THAT MAY BE AVAILABLE.

Backup Withholding and Information Reporting and Filing Requirements

Backup withholding and information reporting requirements may apply to distributions on, and proceeds from the sale or disposition of, ordinary shares and ADSs that are held by U.S. Holders. The payor will be required to withhold tax (currently at a rate of 24%) on such payments made within the United States, or by a U.S. payor or a U.S. intermediary (and certain subsidiaries thereof) to a U.S. Holder, other than an exempt recipient, if the U.S. Holder is not otherwise exempt and:

- the holder fails to furnish the holder's taxpayer identification number, which for an individual is ordinarily his or her social security number;
- the holder furnishes an incorrect taxpayer identification number;
- the applicable withholding agent is notified by the IRS that the holder previously failed to properly report payments of interest or dividends; or
- the holder fails to certify under penalties of perjury that the holder has furnished a correct taxpayer identification number and that the IRS has not notified the holder that the holder is subject to backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability (if any) or refunded provided the required information is furnished to the IRS in a timely manner. U.S. Holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Certain U.S. Holders of specified foreign financial assets with an aggregate value in excess of the applicable dollar threshold are required to report information relating to their holding of ordinary shares or ADSs, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions) with their tax returns for each year in which they hold such interests. U.S. Holders should consult their own tax advisors regarding the information reporting obligations that may arise from their acquisition, ownership or disposition of our ordinary shares or ADSs.

THE ABOVE DISCUSSION DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR ORDINARY SHARES OR ADSs.

F. Dividends and Payment Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. Shareholders may access our reports and other information filed with the SEC by viewing them on the SEC's website, at *www.sec.gov*. We also make available on our website's investor relations page, free of charge, our annual report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The address for our investor relations page is *www.chi-med.com/shareholder-information.* The information contained on our website is not incorporated by reference in this annual report.

We are a "foreign private issuer" as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file on the AIM market of the London Stock Exchange.

We will furnish Deutsche Bank Trust Company Americas, the depositary of our ADSs, with our annual reports, which will include a review of operation and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our requests, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please see Item 5.F. "Operating and Financial Review and Prospects—Quantitative and Qualitative Disclosures About Market Risk."

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Fees and charges our ADS holders may have to pay

ADS holders will be required to pay the following service fees to Deutsche Bank Trust Company America, the depositary of our ADS program, and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by ADSs):

Service	Fees
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to $0.05 per ADS issued
• Cancellation or withdrawal of ADSs, including the case of termination of the deposit agreement	Up to $0.05 per ADS cancelled
• Distribution of cash dividends	Up to $0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to $0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights	Up to $0.05 per ADS held
• Depositary services	Up to $0.05 per ADS held on the applicable record date(s) established by the depositary bank (an annual fee)

ADS holders will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, ordinary shares deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

The depositary has agreed to pay certain amounts to us in exchange for its appointment as depositary. We may use these funds towards our expenses relating to the establishment and maintenance of the ADR program, including investor relations expenses, or otherwise as we see fit. In 2020, we did not collect any reimbursements from the depositary for expenses related to the administration and maintenance of the facility.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A-D. Material Modifications to the Rights of Security Holders; Assets Securing Securities; Trustees; Paying Agents

None.

E. Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures.

As required by Rule 13a-15 under the Exchange Act, management, including our chief executive officer and our chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding our required disclosure. Based on such evaluation, our management has concluded that, as of December 31, 2020, our disclosure controls and procedures were effective.

B. Management's Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934. 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 and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

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, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 Framework). Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

C. Attestation Report of the Independent Registered Public Accounting Firm.

Our independent registered public accounting firm, PricewaterhouseCoopers, has audited the effectiveness of our internal control over financial reporting as of December 31, 2020, as stated in its report, which appears on page F-2 of this annual report.

D. Changes in Internal Control over Financial Reporting.

There were no changes in our internal controls over financial reporting during the fiscal year ended December 31, 2020 that have materially and adversely affected, or are reasonably likely to materially and adversely affect, our internal control over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERTS

Our audit committee consists of Graeme Jack, Paul Carter and Karen Ferrante, with Graeme Jack serving as chairman of the committee. Graeme Jack, Paul Carter and Karen Ferrante each meet the independence requirements under the rules of the Nasdaq Stock Market and under Rule 10A-3 under the Exchange Act. We have determined that Graeme Jack is an "audit committee financial expert" within the meaning of Item 407 of Regulation S-K. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq Stock Market. For information relating to qualifications and experience of each audit committee member, see Item 6. "Directors, Senior Management and Employees."

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics applicable to all of our employees, officers and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. This code is intended to qualify as a "code of ethics" within the meaning of the applicable rules of the SEC. Our code of ethics is available on our website at *www.chi-med.com/shareholder-information/terms-of-reference-policies/code-of-ethics/.* Information contained on, or that can be accessed through, our website is not incorporated by reference into this annual report. See Item 6.C. "Board Practices—Code of Ethics" for more information.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal Accountant Fees and Services

The following table summarizes the fees charged by PricewaterhouseCoopers for certain services rendered to our company, including some of our subsidiaries and joint ventures, during 2019 and 2020.

	For the year ended December 31,	
	2020	2019
	(in thousands)	
Audit fees[(1)]	3,289	3,586
Tax fees[(2)]	45	51
Other service fees[(3)]	90	90
Total[(4)]	3,424	3,727

Notes:

(1) "Audit fees" means the aggregate fees billed in each of the fiscal years for professional services rendered by PricewaterhouseCoopers for the audit of our annual financial statements and review of our interim financial statements, filing of our Form F-3 and S-8 and professional services paid by us in connection with follow-on offerings in the United States and preparation for other capital market transactions.

(2) "Tax fees" means the aggregate fees billed in each of the fiscal years for professional services rendered by PricewaterhouseCoopers for tax compliance and tax advice.

(3) "Other service fees" means the aggregate fees billed for professional services rendered by PricewaterhouseCoopers for information technology system and security review.

(4) The fees disclosed are exclusive of out-of-pocket expenses and taxes on the amounts paid, which totaled approximately $237,000 and $164,000 in 2019 and 2020, respectively.

Audit Committee Pre-approval Policies and Procedures

Our audit committee reviews and pre-approves the scope and the cost of audit services related to us and permissible non-audit services performed by the independent auditors, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit. All of the services related to our company provided by PricewaterhouseCoopers listed above have been approved by the audit committee.

ITEM 16D. Exemptions From The Listing Standards For Audit Committees

Not applicable.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As permitted by Nasdaq, in lieu of the Nasdaq corporate governance rules, but subject to certain exceptions, we may follow the practices of our home country which for the purpose of such rules is the Cayman Islands. Certain corporate governance practices in the Cayman Islands may differ significantly from corporate governance listing standards as, except for general fiduciary duties and duties of care, Cayman Islands law has no corporate governance regime which prescribes specific corporate governance standards. For example, we follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Global Select Market in respect of the following:

(i) the majority independent director requirement under Section 5605(b)(1) of the Nasdaq listing rules,

(ii) the requirement under Section 5605(d) of the Nasdaq listing rules that a remuneration committee comprised solely of independent directors governed by a remuneration committee charter oversee executive compensation, and

(iii) the requirement under Section 5605(e) of the Nasdaq listing rules that director nominees be selected or recommended for selection by either a majority of the independent directors or a nominations committee comprised solely of independent directors.

Cayman Islands law does not impose a requirement that our board of directors consist of a majority of independent directors. Nor does Cayman Islands law impose specific requirements on the establishment of a remuneration committee or nominating committee or nominating process. We voluntarily comply with certain principles of the U.K. Corporate Governance Code. See Item 6.C. "Board Practice—U.K. Corporate Governance Code" for more details.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18 “Financial Statements.”

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements and the consolidated financial statements of our two non-consolidated joint ventures, Shanghai Hutchison Pharmaceuticals and Hutchison Baiyunshan, and our former non-consolidated joint venture Nutrition Science Partners, are included at the end of this annual report.

ITEM 19. EXHIBITS

EXHIBIT INDEX

1.1	Amended and Restated Memorandum and Articles of Association of Hutchison China MediTech Limited (incorporated by reference to Exhibit 1.2 to our to our annual report on Form 20-F/A filed with the SEC on April 29, 2020)
2.1	Form of Deposit Agreement and all holders and beneficial owners of ADSs issued thereunder (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on March 4, 2016)
2.2	Form of American Depositary Receipt (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on March 4, 2016)
2.3	Form of Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.3 to Amendment No. 2 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on February 11, 2016)
2.4	Description of Ordinary Shares (incorporated by reference to Exhibit 2.4 to our annual report on Form 20-F/A filed with the SEC on April 29, 2020)
2.5	Description of American Depositary Shares (incorporated by reference to Exhibit 2.5 to our annual report on Form 20-F/A filed with the SEC on April 29, 2020)
4.1*+	Amended and Restated License and Collaboration Agreement by and between Hutchison MediPharma Limited and AstraZeneca AB (publ) dated as of December 7, 2020
4.2+	Amended and Restated Exclusive License and Collaboration Agreement by and among Hutchison MediPharma Limited, Eli Lilly Trading (Shanghai) Company Limited and Hutchison China MediTech Limited dated as of October 8, 2013 (incorporated by reference to Exhibit 4.2 to our annual report on Form 20-F/A filed with the SEC on May 30, 2019)
4.3+	First Amendment to the Amended and Restated Exclusive License and Collaboration Agreement by and among Lilly (Shanghai) Management Company Limited, Hutchison MediPharma Limited and Hutchison China MediTech Limited dated as of December 18, 2018 (incorporated by reference to Exhibit 4.16 to our annual report on Form 20-F filed with the SEC on March 11, 2019)
4.4+	English translation of Sino-Foreign Joint Venture Contract by and between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Hutchison Chinese Medicine (Guangzhou) Investment Limited dated as of November 28, 2004 (incorporated by reference to Exhibit 4.5 to our annual report on Form 20-F/A filed with the SEC on May 30, 2019)
4.5+	English translation of Sino-Foreign Joint Venture Contract by and between Shanghai Traditional Chinese Medicine Co., Ltd. and Hutchison Chinese Medicine (Shanghai) Investment Limited dated as of January 6, 2001 (incorporated by reference to Exhibit 4.6 to our annual report on Form 20-F/A filed with the SEC on May 30, 2019)
4.6	English translation of First Amendment to Sino-Foreign Joint Venture Contract by and between Shanghai Traditional Chinese Medicine Co., Ltd. and Hutchison Chinese Medicine (Shanghai) Investment Limited dated as of July 12, 2001 (incorporated by reference to Exhibit 10.15 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on October 16, 2015)
4.7	English translation of Second Amendment to Sino-Foreign Joint Venture Contract by and between Shanghai Traditional Chinese Medicine Co., Ltd. and Shanghai Hutchison Chinese Medicine (HK) Investment Limited dated as of November 5, 2007 (incorporated by reference to Exhibit 10.16 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on October 16, 2015)
4.8	English translation of Third Amendment to Sino-Foreign Joint Venture Contract by and between Shanghai Traditional Chinese Medicine Co., Ltd. and Shanghai Hutchison Chinese Medicine (HK) Investment Limited dated as of June 19, 2012 (incorporated by reference to Exhibit 10.17 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on October 16, 2015)
4.9+	English translation of Fourth Amendment to Sino-Foreign Joint Venture Contract by and between Shanghai Traditional Chinese Medicine Co., Ltd. and Shanghai Hutchison Chinese Medicine (HK) Investment Limited dated as of March 8, 2013 (incorporated by reference to Exhibit 4.10 to our annual report on Form 20-F/A filed with the SEC on May 30, 2019)

4.10	English translation of Sino-Foreign Joint Venture Contract by and between Sinopharm Group Co. Ltd. and Hutchison Chinese Medicine GSP (HK) Holdings Limited dated as of December 18, 2013 (incorporated by reference to Exhibit 4.11 to our annual report on Form 20-F/A filed with the SEC on May 30, 2019)
4.11	Form of Executive Employment Agreement for Hutchison China MediTech (HK) Limited executive officers (incorporated by reference to Exhibit 10.23 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on October 16, 2015)
4.12	English translation of Form of Executive Employment Agreement for Hutchison MediPharma Limited executive officers (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on October 16, 2015)
4.13	Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.25 to our Registration Statement on Form F-1 (file no. 333-207447) filed with the SEC on October 16, 2015)
4.14*+	Second Amendment to the Amended and Restated Exclusive License and Collaboration Agreement by and among Lilly (Shanghai) Management Company Limited, Hutchison MediPharma Limited and Hutchison China MediTech Limited dated as of July 28, 2020
8.1*	List of Significant Subsidiaries of the Company
12.1*	Certification of Chief Executive Officer Required by Rule 13a-14(a)
12.2*	Certification of Chief Financial Officer Required by Rule 13a-14(a)
13.1*	Certification of Chief Executive Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2*	Certification of Acting Chief Financial Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
15.1*	Consent of PricewaterhouseCoopers, an independent registered accounting firm, regarding the consolidated financial statements of Hutchison China MediTech Limited
15.2*	Consent of PricewaterhouseCoopers, an independent registered accounting firm, regarding the consolidated financial statements of Nutrition Science Partners Limited
15.3*	Consent of PricewaterhouseCoopers Zhong Tian LLP, independent accountants, regarding the consolidated financial statements of Shanghai Hutchison Pharmaceuticals Limited
15.4*	Consent of PricewaterhouseCoopers Zhong Tian LLP, independent accountants, regarding the consolidated financial statements of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited
15.5*	Consent of Conyers Dill & Pearman
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definitions Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† Furnished herewith.

\+ Portions of the exhibit have been omitted because they are both (i) not material and (ii) would likely cause competitive harm to the company if publicly disclosed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Hutchison China MediTech Limited

By: /s/ CHRISTIAN HOGG
Name: Christian Hogg
Title: Chief Executive Officer

Date: March 4, 2021

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Hutchison China MediTech Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Hutchison China MediTech Limited and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive loss, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control–Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control–Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Principal versus agent assessment on revenue recognition

As described in Note 20 to the consolidated financial statements, promotion and marketing ("P&M") service income arising from the Company's Marketed Products of US$3.7 million was recorded for the license and collaboration agreement with Eli Lilly ("Lilly") for the year ended December 31, 2020, representing 2% of the Company's total revenue and no revenue was recognized for the sales from Lilly to the ultimate customers ("Subsequent Sales Transactions"). Management assessed the principal versus agent considerations under Accounting Standards Codification 606, *Revenue from Contracts with Customers*, in particular the control of the goods before delivery to the ultimate customers and inventory risk, and concluded that while the Company is the manufacturer of Elunate that were being sold to Lilly, and also provides the P&M service for Lilly's sales to the customers since October 2020, it did not alter the principal versus agent considerations that Lilly is the principal for the Subsequent Sales Transactions, and the P&M service is accounted for as a distinct performance obligation and recognized over time based on the amounts that can be invoiced to Lilly.

The principal considerations for our determination that performing procedures relating to the principal versus agent assessment on revenue recognition is a critical audit matter are (i) there was significant judgment by management when assessing whether the P&M service is a distinct performance obligation and determining whether the Company or Lilly is the principal for the Subsequent Sales Transactions, which in turn led to a high degree of auditor judgement and significant audit effort in performing procedures to evaluate audit evidence including the analysis made by management and (ii) the gross versus net impact to the presentation and disclosure of revenue is material.

Addressing the matter involved performing procedures and evaluating audit evidence, in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of internal controls relating to the revenue recognition process, including controls over assessing whether the P&M service is a distinct performance obligation, management's assessment on principal versus agent considerations and the quantification of P&M service income recorded in the consolidated statement of operation. The procedures also included, among others, (i) evaluating the contractual terms of the relevant agreements, (ii) testing management's process for determining the appropriate revenue recognition policy based on the contractual terms identified in the relevant agreements, (iii) evaluating management's assessment on principal versus agent considerations, (iv) testing of P&M service income recorded in the consolidated statement of operation and (v) assessing the appropriateness of the presentation and disclosure of revenue in the consolidated financial statements.

/s/ PricewaterhouseCoopers
Hong Kong
March 4, 2021

We have served as the Company's auditor since 2005, which includes periods before the Company became subject to SEC reporting requirements.

Hutchison China MediTech Limited
Consolidated Balance Sheets
(in US$'000, except share data)

	Note	December 31, 2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	235,630	121,157
Short-term investments	6	199,546	96,011
Accounts receivable—third parties	7	46,648	41,410
Accounts receivable—related parties	23(ii)	1,222	1,844
Other receivables, prepayments and deposits	8	26,786	15,769
Amounts due from related parties	23(ii)	1,142	24,623
Inventories	9	19,766	16,208
Total current assets		**530,740**	**317,022**
Property, plant and equipment	10	24,170	20,855
Right-of-use assets	11	8,016	5,516
Deferred tax assets	24(ii)	1,515	815
Investments in equity investees	12	139,505	98,944
Amount due from a related party	23(ii)	—	16,190
Other non-current assets	13	20,172	5,780
Total assets		**724,118**	**465,122**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	14	31,612	23,961
Other payables, accruals and advance receipts	15	120,882	81,624
Lease liabilities	11	2,785	3,216
Income tax payable	24(iii)	1,120	1,828
Deferred revenue	20	1,597	2,106
Amounts due to a related party	23(ii)	401	366
Total current liabilities		**158,397**	**113,101**
Lease liabilities	11	6,064	3,049
Deferred tax liabilities	24(ii)	5,063	3,158
Long-term bank borrowings	16	26,861	26,818
Deferred revenue	20	484	133
Other non-current liabilities		8,300	5,960
Total liabilities		**205,169**	**152,219**
Commitments and contingencies	17		
Company's shareholders' equity			
Ordinary shares; $0.10 par value; 1,500,000,000 shares authorized; 727,722,215 and 666,906,450 shares issued at December 31, 2020 and 2019 respectively	18	72,772	66,691
Additional paid-in capital		822,458	514,904
Accumulated losses		(415,591)	(289,734)
Accumulated other comprehensive income/(loss)		4,477	(3,849)
Total Company's shareholders' equity		**484,116**	**288,012**
Non-controlling interests		34,833	24,891
Total shareholders' equity		**518,949**	**312,903**
Total liabilities and shareholders' equity		**724,118**	**465,122**

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison China MediTech Limited
Consolidated Statements of Operations
(in US$'000, except share and per share data)

	Note	Year Ended December 31, 2020	2019	2018
Revenues				
Goods—third parties		203,606	175,990	156,234
—related parties	23(i)	5,484	7,637	8,306
Services—commercialization—third parties		3,734	2,584	11,660
—collaboration research and development—third parties		9,771	15,532	17,681
—research and development—related parties	23(i)	491	494	7,832
Other collaboration revenue—royalties—third parties		4,890	2,653	261
—licensing—third parties		—	—	12,135
Total revenues	20	**227,976**	**204,890**	**214,109**
Operating expenses				
Costs of goods—third parties		(178,828)	(152,729)	(129,346)
Costs of goods—related parties		(3,671)	(5,494)	(5,978)
Costs of services—commercialization—third parties		(6,020)	(1,929)	(8,620)
Research and development expenses	21	(174,776)	(138,190)	(114,161)
Selling expenses		(11,334)	(13,724)	(17,736)
Administrative expenses		(50,015)	(39,210)	(30,909)
Total operating expenses		**(424,644)**	**(351,276)**	**(306,750)**
		(196,668)	**(146,386)**	**(92,641)**
Other income/(expense)				
Interest income	26	3,236	4,944	5,978
Other income		4,600	1,855	1,798
Interest expense	26	(787)	(1,030)	(1,009)
Other expense		(115)	(488)	(781)
Total other income/(expense)		**6,934**	**5,281**	**5,986**
Loss before income taxes and equity in earnings of equity investees		**(189,734)**	**(141,105)**	**(86,655)**
Income tax expense	24(i)	(4,829)	(3,274)	(3,964)
Equity in earnings of equity investees, net of tax	12	79,046	40,700	19,333
Net loss		**(115,517)**	**(103,679)**	**(71,286)**
Less: Net income attributable to non-controlling interests		(10,213)	(2,345)	(3,519)
Net loss attributable to the Company		**(125,730)**	**(106,024)**	**(74,805)**
Losses per share attributable to the Company—basic and diluted (US$ per share)	25	(0.18)	(0.16)	(0.11)
Number of shares used in per share calculation—basic and diluted	25	697,931,437	665,683,145	664,263,820

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison China MediTech Limited
Consolidated Statements of Comprehensive Loss
(in US$'000)

	Year Ended December 31,		
	2020	2019	2018
Net loss	**(115,517)**	**(103,679)**	**(71,286)**
Other comprehensive income/(loss)			
Foreign currency translation gain/(loss)	9,530	(4,331)	(6,626)
Total comprehensive loss	**(105,987)**	**(108,010)**	**(77,912)**
Less: Comprehensive income attributable to non-controlling interests	(11,413)	(1,620)	(2,566)
Total comprehensive loss attributable to the Company	**(117,400)**	**(109,630)**	**(80,478)**

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison China MediTech 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**

The accompanying notes are an integral part of these consolidated financial statements.

Hutchison China MediTech Limited
Consolidated Statements of Cash Flows
(in US$'000)

	Note	Year Ended December 31, 2020	2019	2018
Net cash used in operating activities	27	(62,066)	(80,912)	(32,847)
Investing activities				
Purchases of property, plant and equipment		(7,949)	(8,565)	(6,364)
Purchase of leasehold land	13	(11,631)	—	—
Payment on leasehold land deposit	13	(2,326)	—	—
Deposits in short-term investments		(732,908)	(478,140)	(903,551)
Proceeds from short-term investments		629,373	597,044	961,667
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 (used in)/generated from investing activities		(125,441)	119,028	43,752
Financing activities				
Proceeds from issuance of ordinary shares		318,934	251	3,868
Purchases of treasury shares	19(ii)	(12,904)	(346)	(5,451)
Dividends paid to non-controlling shareholders of subsidiaries		(1,462)	(1,282)	(1,282)
Repayment of loan to a non-controlling shareholder of a subsidiary		—	—	(1,550)
Proceeds from bank borrowings		—	26,807	26,923
Repayment of bank borrowings		—	(26,923)	(30,000)
Payment of issuance costs		(8,134)	—	(739)
Net cash generated from/(used in) financing activities		296,434	(1,493)	(8,231)
Net increase in cash and cash equivalents		108,927	36,623	2,674
Effect of exchange rate changes on cash and cash equivalents		5,546	(1,502)	(1,903)
		114,473	35,121	771
Cash and cash equivalents				
Cash and cash equivalents at beginning of year		121,157	86,036	85,265
Cash and cash equivalents at end of year		235,630	121,157	86,036
Supplemental disclosure for cash flow information				
Cash paid for interest		815	917	979
Cash paid for tax, net of refunds	24(iii)	5,940	3,249	3,752
Supplemental disclosure for non-cash activities				
(Decrease)/increase in accruals made for purchases of property, plant and equipment		(57)	1,068	138
Accrual made for purchase of leasehold land	13	355	—	—
Vesting of treasury shares for LTIP	19(ii)	4,828	944	731

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Nature of Business

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 ("ADS"), 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. Dividends received from equity investees for the years ended December 31, 2020, 2019 and 2018 were US$86,708,000, US$28,135,000 and US$35,218,000 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 consolidated financial statements on a going concern basis.

2. Particulars of Principal Subsidiaries and Equity Investees

Name	Place of establishment and operations	Equity interest attributable to the Group December 31, 2020	Equity interest attributable to the Group December 31, 2019	Principal activities
Subsidiaries				
Hutchison MediPharma Limited ("HMPL")	PRC	99.75 %	99.75 %	Research, development, manufacture and commercialization of pharmaceutical products
Hutchison MediPharma International Inc.	U.S.	99.75 %	99.75 %	Provision of professional, scientific and technical support services
Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited ("HSPL")	PRC	50.87 %	50.87 %	Provision of sales, distribution and marketing services to pharmaceutical manufacturers
Hutchison Hain Organic (Hong Kong) Limited ("HHOL") (note (a))	Hong Kong	50 %	50 %	Wholesale and trading of healthcare and consumer products
Hutchison Healthcare Limited	PRC	100 %	100 %	Manufacture and distribution of healthcare products
Hutchison Consumer Products Limited	Hong Kong	100 %	100 %	Wholesale and trading of healthcare and consumer products
Equity investees				
Shanghai Hutchison Pharmaceuticals Limited ("SHPL")	PRC	50 %	50 %	Manufacture and distribution of prescription drug products
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS") (note (b))	PRC	40 %	40 %	Manufacture and distribution of over-the-counter drug products

Notes:

(a) 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.

(b) 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 years presented.

3. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements reflect 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. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in U.S. ("U.S. GAAP").

Use of Estimates

The preparation of 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 consolidated financial statements 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 currency exchange gains of US$3,265,000 and US$246,000 and net foreign exchanges losses of US$233,000 were recorded in other income and other expense in the consolidated statements of operations for the years ended December 31, 2020, 2019 and 2018 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.

Other Intangible Assets

Other intangible assets with finite useful lives are carried at cost less accumulated amortization and impairment loss, if any. Amortization is computed using the straight-line basis over the estimated useful lives of the assets.

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 ADS. 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 ADS 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, 2020, 2019 and 2018 amounted to US$2,660,000, US$3,479,000 and US$2,878,000 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 (which was represented under Oncology/Immunology in these consolidated financial statements; refer to Note 26). 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.

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.

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 consolidated financial statements 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.

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 consolidated financial statements.

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 consolidated financial statements.

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 consolidated financial statements.

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, 2020				
Cash and cash equivalents	235,630	—	—	235,630
Short-term investments	199,546	—	—	199,546
As at December 31, 2019				
Cash and cash equivalents	121,157	—	—	121,157
Short-term investments	96,011	—	—	96,011

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,	
	2020	2019
	(in US$'000)	
Cash at bank and on hand (note (a))	87,828	85,990
Bank deposits maturing in three months or less (note (a))	147,802	35,167
	235,630	121,157
Denominated in:		
US$ (note (b))	164,201	84,911
RMB (note (b))	64,258	27,768
UK Pound Sterling ("£") (note (b))	954	335
Hong Kong dollar ("HK$")	5,907	8,143
Euro	310	—
	235,630	121,157

Notes:

(a) The weighted average effective interest rate on bank deposits for the years ended December 31, 2020 and 2019 was 1.12% per annum and 2.15% 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,	
	2020	2019
	(in US$'000)	
Bank deposits maturing over three months (note)		
Denominated in:		
US$	187,961	73,986
RMB	612	—
HK$	10,973	22,025
	199,546	96,011

Note: The weighted average effective interest rate on bank deposits for the years ended December 31, 2020 and 2019 was 1.06% per annum and 2.65% per annum respectively (with maturities ranging from 91 to 180 days and 91 to 129 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,	
	2020	2019
	(in US$'000)	
Accounts receivable, gross	46,743	41,426
Allowance for credit losses	(95)	(16)
Accounts receivable, net	46,648	41,410

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	2019	2018
		(in US$'000)	
As at January 1	16	41	258
Increase in allowance for credit losses	95	16	21
Decrease in allowance due to subsequent collection	(18)	(41)	(223)
Write-off	—	—	(1)
Exchange difference	2	—	(14)
As at December 31	95	16	41

8. Other receivables, prepayments and deposits

Other receivables, prepayments and deposits consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Prepayments	7,038	3,767
Purchase rebates	191	173
Leasehold land deposit (Note 13)	930	—
Deposits	905	898
Value-added tax receivables	14,957	8,760
Interest receivables	283	537
Others	2,482	1,634
	26,786	15,769

9. Inventories

Inventories, net of provision for excess and obsolete inventories, consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Raw materials	4,502	2,274
Finished goods	15,264	13,934
	19,766	16,208

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, 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

	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

Depreciation for the year ended December 31, 2018 was US$3,486,000.

11. Leases

Leases consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Right-of-use assets		
Offices (note)	6,789	5,281
Factories	945	112
Warehouse	197	—
Others	85	123
Total right-of-use assets	8,016	5,516
Lease liabilities—current	2,785	3,216
Lease liabilities—non-current	6,064	3,049
Total lease liabilities	8,849	6,265

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,	
	2020	2019
	(in US$'000)	
Lease expenses:		
Short-term leases with lease terms equal or less than 12 months	323	311
Leases with lease terms greater than 12 months (note)	3,400	3,702
	3,723	4,013
Sublease rental income	—	61
Cash paid on lease liabilities	3,340	3,886
Non-cash: Lease liabilities recognized from obtaining right-of-use assets	3,098	3,197
Non-cash: Lease liabilities changed in relation to modifications	2,259	744

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, 2020 was 3.72 years and 3.87% respectively. 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.

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,	
	2020	2019
	(in US$'000)	
HBYS	59,712	22,271
SHPL	79,408	76,226
Other	385	447
	139,505	98,944

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,			
	2020	2019	2020	2019
	(in US$'000)			
Current assets	177,888	124,704	175,965	141,268
Non-current assets	95,731	95,096	93,361	91,098
Current liabilities	(137,179)	(124,051)	(109,873)	(79,533)
Non-current liabilities	(16,034)	(48,690)	(6,739)	(6,074)
Net assets	120,406	47,059	152,714	146,759
Non-controlling interests	(982)	(2,518)	—	—
	119,424	44,541	152,714	146,759

(ii) Summarized statements of operations

	HBYS[note a]			SHPL		
	Year Ended December 31,					
	2020	2019	2018	2020	2019	2018
	(in US$'000)					
Revenue	232,368	215,403	215,838	276,354	272,082	275,649
Gross profit	116,804	115,124	113,137	204,191	194,769	192,939
Interest income	271	160	81	975	582	673
Finance cost	(5)	(16)	(152)	—	—	—
Profit before taxation	107,715	22,926	20,703	77,837	72,324	69,138
Income tax expense (note (b))	(16,494)	(3,634)	(4,227)	(10,833)	(11,015)	(9,371)
Net income	91,221	19,292	16,476	67,004	61,309	59,767
Non-controlling interests	62	505	384	—	—	—
Net income attributable to the shareholders of equity investee	91,283	19,797	16,860	67,004	61,309	59,767

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 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.

(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 years ended December 31, 2020 and 2019, other equity investees had net losses of approximately US$194,000 and net income of approximately US$294,000 respectively. For the year ended December 31, 2018, other equity investees had net losses of approximately US$37,962,000, primarily from Nutrition Science Partners Limited ("NSPL") which incurred research and development expenses and recorded an impairment provision of US$30,000,000 on its intangible assets. In December 2019, the Group acquired the remaining 50% shareholding in NSPL from the equity investee partner and, after the acquisition, it became a subsidiary.

(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	2019	2018	2020	2019	2018
			(in US$'000)			
Opening net assets after non-controlling interests as at January 1	44,541	121,984	110,616	146,759	131,778	132,731
Impact of change in accounting policy (ASC 842-Leases)	—	(19)	—	—	(2)	—
Net income attributable to the shareholders of equity investee	91,283	19,797	16,860	67,004	61,309	59,767
Purchase of additional interests in a subsidiary of an equity investee (note)	(347)	—	—	—	—	—
Dividends declared	(20,756)	(93,957)	—	(72,179)	(41,654)	(54,923)
Other comprehensive income/(loss)	4,703	(3,264)	(5,492)	11,130	(4,672)	(5,797)
Closing net assets after non-controlling interests as at December 31	119,424	44,541	121,984	152,714	146,759	131,778
Group's share of net assets	59,712	22,271	60,992	76,357	73,380	65,889
Goodwill	—	—	—	3,051	2,846	2,923
Carrying amount of investments as at December 31	59,712	22,271	60,992	79,408	76,226	68,812

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,	
	2020	2019
	(in US$'000)	
Leasehold land (note)	13,121	1,110
Goodwill	3,307	3,112
Leasehold land deposit (note)	1,396	—
Long term prepayment	950	1,103
Other intangible asset	227	275
Deferred issuance cost	1,171	180
	20,172	5,780

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,	
	2020	2019
	(in US$'000)	
Accounts payable—third parties	26,756	19,598
Accounts payable—non-controlling shareholders of subsidiaries (Note 23(iv))	4,856	4,363
	31,612	23,961

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.

15. Other Payables, Accruals and Advance Receipts

Other payables, accruals and advance receipts consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Accrued salaries and benefits	21,982	13,258
Accrued research and development expenses	72,697	48,531
Accrued selling and marketing expenses	5,747	3,337
Accrued administrative and other general expenses	10,319	8,411
Deferred government grants	374	445
Deposits	1,408	1,778
Others	8,355	5,864
	120,882	81,624

16. Bank Borrowings

Bank borrowings consisted of the following:

	December 31,	
	2020	2019
	(in US$'000)	
Non-current	26,861	26,818

The weighted average interest rate for outstanding bank borrowings for the years ended December 31, 2020 and 2019 was 1.89% per annum and 3.30% 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 2019, 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 2019, 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,	
	2020	2019
	(in US$'000)	
Not later than 1 year	—	—
Between 1 to 2 years	26,923	—
Between 2 to 3 years	—	26,923
	26,923	26,923

As at December 31, 2020 and 2019, the Group had unutilized bank borrowing facilities of HK$541,000,000 (US$69,359,000) and HK$931,000,000 (US$119,359,000) 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 ADS 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 ADS 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 "HCML Share Option Scheme"). Pursuant to the HCML 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 HCML 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 HCML 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, 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,		
	2020	2019	2018
Weighted average grant date fair value of share options (in £ per share)	1.40	1.07	1.67
Significant inputs into the valuation model (weighted average):			
Exercise price (in £ per share)	3.71	3.18	4.69
Share price at effective date of grant (in £ per share)	3.71	3.07	4.66
Expected volatility (note (a))	42.6%	38.4%	37.6%
Risk-free interest rate (note (b))	0.59%	0.56%	1.46%
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 ADS, the risk-free interest rates reference the U.S. Treasury yield curves because the Company's ADS 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,		
	2020	2019	2018
		(in US$'000)	
Cash received from share option exercises	593	251	3,868
Total intrinsic value of share option exercises	2,475	1,189	9,394

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,		
	2020	2019	2018
		(in US$'000)	
Research and development expenses	4,061	6,634	7,280
Selling and administrative expenses	4,586	539	623
Cost of goods	90	—	—
	8,737	7,173	7,903

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 ADS (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, 2020, 2019 and 2018, US$7,038,000, US$262,000 and US$692,000 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,		
	2020	2019	2018
		(in US$'000)	
Research and development expenses	7,252	2,640	1,000
Selling and administrative expenses	3,552	1,779	1,227
Cost of goods	101	—	—
	10,905	4,419	2,227
Recorded with a corresponding credit to:			
Liability	7,778	2,694	764
Additional paid-in capital	3,127	1,725	1,463
	10,905	4,419	2,227

For the years ended December 31, 2020, 2019 and 2018, US$4,092,000, US$526,000 and US$1,770,000 were reclassified from liability to additional paid-in capital respectively upon LTIP awards reaching the determination date. As at December 31, 2020 and 2019, US$7,089,000 and US$3,403,000 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, 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

	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, 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

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. It was represented under the Oncology/Immunology segment to align with a change to the segment reporting. Refer to Note 26.

(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,	
	2020	2019
	(in US$'000)	
Deferred revenue		
Current—Oncology/Immunology segment (note (a))	1,450	1,753
Current—Other Ventures segment (note (b))	147	353
	1,597	2,106
Non-current—Oncology/Immunology segment (note (a))	484	133
Total deferred revenue (note (c) and (d))	2,081	2,239

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,	
	2020	2019
	(in US$'000)	
Not later than 1 year	1,597	2,106
Between 1 to 2 years	211	133
Between 2 to 3 years	205	—
Between 3 to 4 years	68	—
	2,081	2,239

(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,		
	2020	2019	2018
		(in US$'000)	
Research and development cost reimbursements	1,876	3,910	9,309
Amortization of the upfront payment	83	88	122
Recognition and amortization of the milestone payments (note)	32	7	13,849
Royalties	4,890	2,653	261
Goods—Marketed Products	11,329	8,113	3,324
Promotion and marketing services	3,734	—	—
	21,944	14,771	26,865

Note: During the years ended December 31, 2020 and 2019, no milestones were achieved. 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.

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,		
	2020	2019	2018
		(in US$'000)	
Research and development cost reimbursements	8,289	10,883	5,876
Amortization of the upfront payment (note (a))	(330)	302	273
Recognition and amortization of the milestone payments (note (a) and (b))	(179)	342	387
	7,780	11,527	6,536

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, 2020, 2019 and 2018, no milestones were achieved.

21. Research and Development Expenses

Research and development expenses are summarized as follows:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Clinical trial related costs	105,869	87,777	73,693
Personnel compensation and related costs	63,542	46,246	35,340
Other research and development expenses	5,365	4,167	5,128
	174,776	138,190	114,161

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, 2020, 2019 and 2018, the Group has incurred research and development expenses of US$8,291,000, US$2,921,000 and nil 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, 2020, 2019 and 2018, the Group received government grants of US$4,724,000, US$8,742,000 and US$1,798,000 respectively.

The government grants were recognized in the consolidated statements of operations as follows:

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Research and development expenses	1,607	6,133	1,422
Other income	539	780	573
	2,146	6,913	1,995

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,		
	2020	2019	2018
		(in US$'000)	
Sales to:			
Indirect subsidiaries of CK Hutchison	5,484	7,637	8,306
Revenue from research and development services from:			
An equity investee	491	494	7,832
Purchases from:			
Equity investees	3,347	2,465	2,827
Rendering of marketing services from:			
Indirect subsidiaries of CK Hutchison	332	430	546
An equity investee	—	2,682	12,703
	332	3,112	13,249
Rendering of management services from:			
An indirect subsidiary of CK Hutchison	955	931	922

(ii) Balances with related parties included in:

	December 31,	
	2020	2019
	(in US$'000)	
Accounts receivable—related parties		
Indirect subsidiaries of CK Hutchison (note (a))	1,222	1,844
Amounts due from related parties		
Equity investees (note (a) and (b))	1,142	24,623
Amount due from a related party		
An equity investee (note (b))	—	16,190
Amounts due to a related party		
An indirect subsidiary of CK Hutchison (note (c))	401	366
Other deferred income		
An equity investee (note (d))	950	1,103

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.

(b) As at December 31, 2020 and 2019, the Group had dividend receivables from an equity investee of nil and US$39,671,000 respectively.

(c) Amounts due to an indirect subsidiary of CK Hutchison are 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,		
	2020	2019	2018
	(in US$'000)		
Sales	36,500	27,343	19,981
Purchases	13,936	13,380	15,568
Interest expense	—	—	62
Dividends declared	1,462	—	2,564

(iv) Balances with non-controlling shareholders of subsidiaries included in:

	December 31,	
	2020	2019
	(in US$'000)	
Accounts receivable	6,184	5,228
Accounts payable	4,856	4,363
Other non-current liabilities		
Loan	579	579

24. Income Taxes

(i) Income tax expense

	Year Ended December 31,		
	2020	2019	2018
		(in US$'000)	
Current tax			
HK (note (a))	457	321	436
PRC (note (b))	872	708	1,293
U.S. and others (note (c))	219	636	235
Total current tax	1,548	1,665	1,964
Deferred income tax	3,281	1,609	2,000
Income tax expense	4,829	3,274	3,964

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, 2020, 2019 and 2018, 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 19% or 20% on the estimated assessable profits in relation to its permanent establishment in these countries in 2020 and/or 2019.

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,		
	2020	2019	2018
		(in US$'000)	
Loss before income taxes and equity in earnings of equity investees	(189,734)	(141,105)	(86,655)
Tax calculated at the statutory tax rate of the Company	(31,306)	(23,282)	(14,298)
Tax effects of:			
Different tax rates available in different jurisdictions	4,025	2,027	1,349
Tax valuation allowance	46,321	25,498	19,414
Preferential tax rate difference	(154)	(177)	—
Preferential tax deduction and credits	(18,814)	(5,444)	(5,800)
Expenses not deductible for tax purposes	3,476	4,098	1,902
Utilization of previously unrecognized tax losses	(114)	(285)	(329)
Withholding tax on undistributed earnings of PRC entities	3,962	1,894	1,983
Others	(2,567)	(1,055)	(257)
Income tax expense	4,829	3,274	3,964

(ii) Deferred tax assets and liabilities

The significant components of deferred tax assets and liabilities are as follows:

	December 31,	
	2020	2019
	(in US$'000)	
Deferred tax assets		
Tax losses	117,064	68,481
Others	6,829	1,733
Total deferred tax assets	123,893	70,214
Less: Valuation allowance	(122,378)	(69,399)
Deferred tax assets	1,515	815
Deferred tax liabilities		
Undistributed earnings from PRC entities	4,994	3,081
Others	69	77
Deferred tax liabilities	5,063	3,158

The movements in deferred tax assets and liabilities are as follows:

	2020	2019	2018
		(in US$'000)	
As at January 1	(2,343)	(4,256)	(3,819)
Utilization of previously recognized withholding tax on undistributed earnings	2,323	3,390	1,373
(Charged)/Credited to the consolidated statements of operations			
Withholding tax on undistributed earnings of PRC entities	(3,962)	(1,894)	(1,983)
Deferred tax on amortization of intangible assets	18	18	19
Deferred tax on provision for assets	663	267	(36)
Exchange differences	(247)	132	190
As at December 31	(3,548)	(2,343)	(4,256)

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,	
	2020	2019
	(in US$'000)	
No expiry date	53,940	40,897
2022	195	182
2023	—	—
2024	3,998	3,716
2025	38,357	35,648
2026	51,034	47,661
2027	66,555	62,794
2028	114,490	106,793
2029	186,844	154,454
2030	259,163	—
	774,576	452,145

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:

	2020	2019	2018
		(in US$'000)	
As at January 1	69,399	49,021	31,662
Charged to consolidated statements of operations	46,321	25,498	19,414
Utilization of previously unrecognized tax losses	(114)	(285)	(329)
Write-off of tax losses	—	(3,142)	—
Others	—	—	(105)
Exchange differences	6,772	(1,693)	(1,621)
As at December 31	122,378	69,399	49,021

As at December 31, 2020 and 2019, the Group did not have any material unrecognized uncertain tax positions.

(iii) Income tax payable

	2020	2019	2018
		(in US$'000)	
As at January 1	1,828	555	979
Current tax	1,548	1,665	1,964
Withholding tax upon dividend declaration from PRC entities (note (a))	2,323	2,581	1,373
Tax paid (note (b))	(5,940)	(2,970)	(3,752)
Reclassification from non-current withholding tax	812	—	—
Reclassification to prepaid tax	485	—	—
Exchange difference	64	(3)	(9)
As at December 31	1,120	1,828	555

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 2020 is net of the PRC Enterprise Income Tax ("EIT") refund of US$0.4 million received by HSPL. The amount for 2019 excludes the PRC EIT of US$0.3 million prepaid by HSPL which is included under other receivables, prepayments and deposits.

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,		
	2020	2019	2018
Weighted average number of outstanding ordinary shares in issue	697,931,437	665,683,145	664,263,820
Net loss attributable to the Company (US$'000)	(125,730)	(106,024)	(74,805)
Losses per share attributable to the Company (US$ per share)	(0.18)	(0.16)	(0.11)

(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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018.

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.

In the second half of 2020, the Group (1) renamed the Innovation Platform to Oncology/Immunology segment and Commercial Platform to Other Ventures segment; and began (2) separately presenting R&D activities in the U.S. and other locations under Oncology/Immunology segment, (3) including the results from manufacturing and commercializing Elunate under Marketed Products in Oncology/Immunology segment, and (4) aggregating the remaining commercial businesses under Other Ventures segment with Hong Kong included within the PRC. These changes are consistent with the chief operating decision maker's view of the business. The segment information below as at and for the years ended December 31, 2019 and 2018 have been revised so that all segment disclosures are comparable.

The segment information is as follows:

	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

	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, 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

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 US$17,059,000, US$3,354,000 and nil for the years ended December 31, 2020, 2019 and 2018 respectively.

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. 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 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.

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,		
	2020	2019	2018
		(in US$'000)	
Segment operating loss	(109,901)	(99,375)	(66,313)
Interest expense	(787)	(1,030)	(1,009)
Income tax expense	(4,829)	(3,274)	(3,964)
Net loss	(115,517)	(103,679)	(71,286)

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,		
	2020	2019	2018
		(in US$'000)	
Net loss	(115,517)	(103,679)	(71,286)
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization of finance costs	43	195	76
Depreciation and amortization	6,061	4,942	3,590
Gain from purchase of a subsidiary	—	(17)	—
Loss on retirement of property, plant and equipment	85	17	33
Provision for excess and obsolete inventories	65	316	37
Provision for credit losses	77	(25)	(202)
Share-based compensation expense—share options	8,737	7,173	7,903
Share-based compensation expense—LTIP	10,905	4,419	2,227
Equity in earnings of equity investees, net of tax	(79,046)	(40,700)	(19,333)
Dividends received from SHPL and HBYS	86,708	28,135	35,218
Changes in right-of-use assets	(2,197)	224	—
Unrealized currency translation (gain)/loss	(6,149)	1,679	1,515
Changes in income tax balances	(1,111)	304	212
Changes in working capital			
Accounts receivable—third parties	(5,315)	(1,209)	(1,564)
Accounts receivable—related parties	622	938	1,078
Other receivables, prepayments and deposits	(9,602)	(2,452)	(2,385)
Amounts due from related parties	—	(282)	27
Inventories	(3,623)	(4,215)	(557)
Long-term prepayment	153	253	292
Accounts payable	7,651	(1,664)	1,260
Other payables, accruals and advance receipts	37,437	26,019	16,286
Lease liabilities	2,258	(101)	—
Deferred revenue	(158)	(709)	(239)
Amounts due to related parties	35	(66)	(6,589)
Other	(185)	(407)	(446)
Total changes in working capital	29,273	16,105	7,163
Net cash used in operating activities	(62,066)	(80,912)	(32,847)

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 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$0.2 million and US$0.3 million as at December 31, 2020 and 2019 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$99.9 million and US$61.6 million as at December 31, 2020 and 2019 respectively.

30. Subsequent Events

The Group evaluated subsequent events through March 4, 2021, which is the date when the consolidated financial statements 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.

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.

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.

Exhibit 4.1

THE SYMBOL "[**]" DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED

AMENDED AND RESTATED

LICENSE AND COLLABORATION AGREEMENT

by and between

和记黄埔医药（上海）有限公司 HUTCHISON MEDIPHARMA LIMITED

and

ASTRAZENECA AB (PUBL)

December 7, 2020

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AMENDED and RESTATED LICENSE AND COLLABORATION AGREEMENT

This AMENDED AND RESTATED LICENSE AND COLLABORATION AGREEMENT (the "**Agreement**") is entered into on this 7th day of December, 2020 (the "**Restatement Date**"), by and among 和记黄埔医药 (±海) 有限公司 Hutchison Medipharma Limited, a company organized under the laws of the People's Republic of China, having its place of business at Building 4, 720 Cailun Road, Zhangjiang Hi-Tech Park, Shanghai 201203, P.R. China ("**Hutchison**") and AstraZeneca AB(publ) , a company organized under the laws of Sweden, having its place of business at S-15 1 85 Södertälje, Sweden ("**AstraZeneca**"). Hutchison and AstraZeneca may each be referred to herein individually as a "**Party**" and collectively as the "**Parties.**"

RECITALS

WHEREAS, Hutchison and AstraZeneca entered into the License and Collaboration Agreement as of the 20th of December, 2011 (the "**Effective Date**"), which was amended as of 1st of August, 2016, by the First Amendment (combined, the "**Original Agreement**");

WHEREAS, Hutchison owns or otherwise controls certain patents, patent applications, technology, know-how, scientific and technical information and other proprietary rights and information relating to the research, development and manufacture of the c-Met inhibitor known as HMPL-504;

WHEREAS, AstraZeneca is engaged in the research, development and commercialization of pharmaceutical products;

WHEREAS, Hutchison and AstraZeneca desire to collaborate, on an exclusive basis, in the development and commercialization of pharmaceutical products targeting the Collaboration Target (as defined below) and to collaborate specifically on the development and commercialization of the Collaboration Compound and Collaboration Product (as defined below);

WHEREAS, subject to the terms of this Agreement, Hutchison wishes to grant to AstraZeneca, and AstraZeneca wishes to receive from Hutchison, an exclusive license to develop, manufacture and commercialize the Collaboration Compound and Collaboration Product in the Field (as defined below);

WHEREAS, the First Amendment provided for Hutchison and AstraZeneca to collaborate to develop the Collaboration Product in Papillary Renal Cell Carcinoma as the Secondary Indication through the conduct initially of a Phase III Clinical Trial; and

WHEREAS, the Parties now wish to amend and restate the Original Agreement as set out in this Agreement to provide clarity around the Parties' roles and responsibilities, in particular in relation to the development of the Collaboration Product for a renal cell carcinoma ("RCC") indication, particular arrangements around certain life cycle indications in China, as well as the Parties' roles and responsibilities regarding the commercialization and manufacturing of the

Licensed Compound and Licensed Product in China.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises and covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS.

1.1. "**Abbreviated New Drug Application**" or "**ANDA**" means an Abbreviated New Drug Application as defined in the FD&C Act and the regulations promulgated thereunder which references an NDA.

1.2. "**Adverse Event**" means any adverse medical occurrence in a patient or clinical investigation subject that is administered a pharmaceutical product, as designated in the United States of America under 21 CFR § 312.32 and any other Applicable Law.

1.3. "**Additional RCC Registrational Trial**" means any Clinical Trial for the Collaboration Product in a Secondary Indication, including for the avoidance of doubt the Second RCC Phase III Clinical Trial, conducted subsequent to or in parallel with the First RCC Phase III Clinical Trial but excluding the First RCC Phase III Clinical Trial, and with the intent to secure Regulatory Approval for the Collaboration Product in such Secondary Indication without the conduct of any further Clinical Trials.

1.4. "**Affiliate(s)**" means, with respect to a Person, any Person that controls, is controlled by, or is under common control with such first Person. For purposes of this definition only, "control" means (a) to possess, directly or indirectly, the power to direct the management or policies of a Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance, or (b) to own, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities or other ownership interests of such Person.

1.5. "**API Manufacturing**" means the Manufacture and supply of Collaboration Compound for inclusion in a Collaboration Product Developed and Commercialized in accordance with this Agreement.

1.6. "**AstraZeneca Indemnified Party**" has the meaning set forth in Section 11.1.

1.7. "**AstraZeneca Know-How**" means Collaboration Know-How (other than Joint Know-How) that is conceived or developed or, in the case of patentable Know- How, Invented solely by employees of AstraZeneca or its Affiliates, or Third Parties acting on behalf of AstraZeneca or its Affiliates.

1.8. "**AstraZeneca Patent Rights**" means any Patent Right that AstraZeneca Controls as of the Effective Date or that come into the Control of AstraZeneca during the Term (other than Joint Patent Rights or Patent Rights which are Hutchison Patent Rights licensed to AstraZeneca pursuant to this Agreement) to the extent such rights (a) claim a Collaboration Compound or Collaboration Products, any method of making a Collaboration Compound or Collaboration Products, any composition or formulations of a Collaboration Compound or Collaboration Products or any method of using or administering a Collaboration Compound or Collaboration Products and (b) are actually used by AstraZeneca to Manufacture, Develop or Commercialize a Collaboration Compound or Collaboration Products.

1.9. "**AstraZeneca Technology**" means AstraZeneca's interest in (i) the AstraZeneca Know-How, and (ii) the AstraZeneca Patent Rights, and all other intellectual property rights in any of the foregoing.

1.10. "**Agreement Compound**" means any compound with a molecular weight less than 1000 Da, other than a Collaboration Compound, that specifically targets the Collaboration Target and lacks material activity against other pharmaceutical targets (i.e. the IC50 value of such compound or product against another pharmaceutical target is more than thirty (30) times greater than the IC50 value of such compound or product against the Collaboration Target).

1.11. "**Applicable Laws**" means all applicable statutes, ordinances, regulations, rules, or orders of any kind whatsoever of any Regulatory Authority, including the FD&C Act, Prescription Drug Marketing Act, Generic Drug Enforcement Act of 1992 (21 U.S.C. § 335a et seq.), and Anti-Kickback Statute (42 U.S.C. § 1 320a-7b et seq.) and all counterparts thereto in other jurisdictions, all as amended from time to time.

1.12. "**Back-Up Compound**" means any Agreement Compound Controlled by a Party, which Agreement Compound exists on the Effective Date or is discovered or invented during the Term. Back-Up Compounds in existence on the Effective Date are set forth in Schedule 1.11

1.13. "**Calendar Quarter**" means each of the three (3) consecutive month periods ending on March 31, June 30, September 30, and December 31.

1.14. "**Calendar Year**" means each twelve (12) month period ending December 31st.

1.15. "**China**" means the People's Republic of China, including Hong Kong and Macau.

1.16. "**China Commercialization Arrangements**" means, taken together, the Product Supply Arrangements and the SOTC Arrangements.

1.17. "**China Development Activities**" has the meaning set forth in Section 5.7.1(b).

1.18. "**Change of Control**" means, with respect to Hutchison, the occurrence of (a) any one of the following events: (i) a Third Party acquires, directly or indirectly, shares of Hutchison representing fifty percent (50%) or more of the voting shares (where voting refers to being entitled to vote for the election of directors) then outstanding of Hutchison; (ii) Hutchison consolidates with or merges into another corporation or entity, or any corporation or entity consolidates with or merges into Hutchison, in either event pursuant to a transaction in which more than fifty percent (50%) of the voting shares of the acquiring or resulting entity outstanding immediately after such consolidation or merger are not held by the holders of the outstanding voting shares of Hutchison preceding such consolidation or merger; or (iii) Hutchison conveys, transfers or leases all or substantially all of its assets to a Third Party and (b) such acquiring or merging Third Party has an Agreement Compound which is in clinical development at the time of closing of such Change of Control (a "**Competing Product**"), and such Competing Product is not the subject of a divestiture committed to under Section 6.4.2.

1.19. "**Clinical Trial**" means a human clinical study conducted on sufficient numbers of human subjects that is designed to (a) establish that a pharmaceutical product is reasonably safe for continued testing, (b) investigate the safety and efficacy of the pharmaceutical product for its intended use, and to define warnings, precautions and adverse reactions that may be associated with the pharmaceutical product in the dosage range to be prescribed or (c) support Regulatory Approval of such pharmaceutical product or label expansion of such pharmaceutical product.

1.20. "**Collaboration Target**" means [**].

1.21. "**Collaboration Compound**" means Hutchison's proprietary compound designated by Hutchison on the Effective Date as "HMPL-504," as more fully described in Schedule 1.21 and as improved or modified in connection with this Agreement, [**].

1.22. "**Collaboration Know-How**" means Know-How that is conceived or developed or, in the case of patentable Know-How, Invented, by or on behalf of either or both Parties' (or their Affiliates') employees or Third Parties acting on such Parties' behalf, in each case in the course of such Party's performance under or in connection with this Agreement. For avoidance of doubt, Collaboration Know-How excludes any Know-How Controlled by a Party as of the Effective Date.

1.23. "**Collaboration Patent Rights**" means Patent Rights claiming Collaboration Know-How. For avoidance of doubt, Collaboration Patent Rights excludes any Patent Rights Controlled by a Party as of the Effective Date.

1.24. "**Collaboration Product**" means any pharmaceutical product in finished form that contains a Collaboration Compound, either as the sole active ingredient or in combination with one or more other active ingredients, and all present and future formulations, dosages and dosage forms thereof.

1.25. "**Collaboration Technology**" means Collaboration Know-How and Collaboration Patent Rights, and all other intellectual property rights in any of the foregoing.

1.26. "**Combination Collaboration Product**" means a pharmaceutical product containing as its active ingredients both a Collaboration Compound and one or more other therapeutically or prophylactically active ingredients combined in a single product.

1.27. "**Commercialization**" means any and all activities of using, importing, marketing, promoting, distributing, offering for sale or selling a Collaboration Product including pre-commercial launch market development activities conducted in anticipation of Regulatory Approval of a Collaboration Product, seeking pricing and reimbursement approvals for a Collaboration Product, if applicable, preparing advertising and promotional materials, sales force training, and all interactions and correspondence with a Regulatory Authority regarding Post-Approval Clinical Trials. With respect to a Marketing Authorization Holder, Commercialization includes all activities required to fulfill ongoing regulatory obligations, including Adverse Event reporting. When used as a verb, "Commercialize" means to engage in Commercialization.

1.28. "**Commercially Reasonable Efforts**" means, with respect to a Party, those efforts and resources that such Party would reasonably devote to a product or compound owned by it or to which it has rights of the type it has hereunder, which is of similar market potential at a similar stage in its development or product life, taking into account the competitiveness of the global and local marketplace, the nature and extent of market exclusivity (including patent coverage and regulatory exclusivity), the pricing and launching strategy for the respective product, the proprietary position of the product, the profitability and the relative potential safety and efficacy of the product and other relevant

factors, including technical, legal, scientific, regulatory or medical factors, all as measured by the facts and circumstances at the time such efforts are due. "**Commercially Reasonable**" as used herein shall be interpreted in a corresponding manner.

1.29. "**Confidential Information**" means, with respect to a Party, all information (and all tangible and intangible embodiments thereof), which is Controlled by such Party, is disclosed by such Party to the other Party pursuant to this Agreement, and is designated as confidential in writing by the disclosing Party whether by letter or by use of an appropriate stamp or legend, prior to or at the time any such information is disclosed by the disclosing Party to the other Party. In addition, any information which is orally, electronically or visually disclosed by a Party, or is disclosed in writing without an appropriate letter, stamp or legend, shall constitute Confidential Information if the disclosing Party, within thirty (30) days after such disclosure, delivers to the receiving Party a written document or documents describing the information disclosed and referencing the place and date of such oral, visual, electronic or written disclosure and the names of the person(s) to whom such disclosure was made; provided, however, that any technical information disclosed at a meeting of the JSC or any other committee established pursuant to this Agreement shall constitute Confidential Information unless otherwise specified.

1.30. "**Control**" or "**Controlled**" means, with respect to any intellectual property right, information, documents or materials of a Party, that the Party or its Affiliate owns or has a license to such intellectual property right, information, documents or materials (other than pursuant to this Agreement) and has the ability to grant access, a license, or a Sublicense to such intellectual property right, information, documents or materials to the other Party as provided in this Agreement without violating an agreement with or other rights of any Third Party; it being understood and agreed that the term "Control" shall not apply to any intellectual property right for which the licensing Party shall be required to make any payments to any Third Party in connection with the licenses granted under this Agreement unless, but only if and for such time that, the other Party agrees and does promptly pay to the licensing Party all such payments arising out of the grant of the license to the other Party (as so mutually agreed between the Parties in good faith).

1.31. "**Country-Specific Termination**" has the meaning set forth in Section 10.3.1.

1.32. "**Designated Manufacturer**" has the meaning set forth in Section 4.4.1.

1.33. "**Development**" means all activities performed by or on behalf of either Party in the performance of any Development Plan for Collaboration Compounds, Collaboration Products and Diagnostic Products in the Fields. Development shall include, without limitation, Translational Research Activities and all activities related to research, preclinical testing, test method development and stability testing, toxicology, formulation, Clinical Trials, seeking Regulatory

Approval and otherwise handling regulatory affairs, statistical analysis, report writing performed pursuant to the Development Plan with respect to Collaboration Products. Development shall not include Manufacturing or Commercialization. When used as a verb, "Develop" means to engage in Development.

1.34. "**Development Budget**" means the written budget that sets forth, for the time period covered by the Development Plan, the total budget for the Parties to perform activities pursuant to the Development Plan. The initial Development Budget is attached hereto as Schedule 1.34 and may be amended from time to time by the Parties in accordance with Section 4.1.1 .

1.35. "**Development Plan**" means the comprehensive plan for the Development of Collaboration Products for Regulatory Approval in the Field in the Territory, prepared and approved by the JSC (subject to Section 3.3) and as amended or updated from time to time as set forth in Section 4.1.1. The Development Plan shall include, without limitation, (a) an allocation of responsibilities for Development activities to be undertaken by each Party, consistent with the terms of this Agreement; (b) the Development Budget; (c) the indications in the Field for which the Collaboration Product is to be Developed; and (d) other critical activities to be undertaken, timelines, key decision points and relevant decision criteria.

1.36. "**Diagnostic Product**" means a diagnostic tool intended for use in connection with a Collaboration Product.

1.37. "**Disclosing Party**" has the meaning set forth in Section 6.1.1.

1.38. "**Effective Date**" means the date of this Agreement first set forth above.

1.39. "**Excess Profits**" means amounts accruing to Hutchison in respect of China Commercialization Arrangements which exceed the amounts Hutchison is due by virtue of Section 5.3.1.

1.40. "**Exclusivity Period**" has the meaning set forth in Section 6.4.1.

1.41. "**FD&C Act**" means the United States of America Federal Food, Drug, and Cosmetic Act, as amended, and the regulations promulgated thereunder.

1.42. "**FDA**" means the United States of America Food and Drug Administration or any successor agency thereto.

1.43. "**Field**" means all diagnostic, prophylactic and therapeutic uses of a Collaboration Product, in any formulation or dosage form, for any and all indications in humans.

1.44. "**Financial Records**" has the meaning set forth in Section 5.8.6.

1.45. "**First Commercial Sale**" means, with respect to a Collaboration Product and any country of the Territory, the first sale of such Collaboration Product under this Agreement for use in the Field to a Third Party in such country, after such Collaboration Product has been granted Regulatory Approval by the competent Regulatory Authorities in such country.

1.46. "**First RCC Phase III Clinical Trial**" shall mean the Phase III clinical trial SAVOIR, identified by AZ code D5082C00003.

1.47. "**Force Majeure**" has the meaning set forth in Section 12.2.

1.48. "**GAAP**" means United States of America generally accepted accounting principles, as in effect from time to time.

1.49. "**Generic Product**" means, on a country-by-country basis and Collaboration Product-by-Collaboration Product basis, a drug product independently developed and commercialized by a Third Party that (a) contains the same active pharmaceutical ingredient(s) as the Collaboration Product, (b) [**] and, (c) (i) for purposes of the United States, is approved in reliance on the prior Regulatory Approval of such Collaboration Product, as determined by the FDA, or, (ii) for purposes of a country outside the United States, is approved in reliance on the prior Regulatory Approval of such Collaboration Product, as determined by the applicable Regulatory Authority.

1.50. "**Government Authority**" means any court, agency, department, authority or other instrumentality of any national, state, county, city or other political subdivision.

1.51. "**Hutchison Indemnified Party**" has the meaning set forth in Section 11.2.

1.52. "**Hutchison Know-How**" means (a) Know-How that is Controlled by Hutchison as of the Effective Date or that comes into the Control of Hutchison during the Term (other than Joint Know-How and Know-How which is AstraZeneca Know-How licensed to Hutchison pursuant to this Agreement) to the extent necessary or useful to Manufacture, Develop or Commercialize a Collaboration Compound or Collaboration Product, including any method of making a Collaboration Compound or Collaboration Product, any composition or formulations of a Collaboration Compound or Collaboration Product or any method of using or administering a Collaboration Compound or Collaboration Product and (b) Collaboration Know-How (other than Joint Know-How) that is conceived or developed or, in the case of patentable Know-How, Invented, solely by employees of Hutchison or its Affiliates, or Third Parties acting on behalf of Hutchison or its Affiliates.

1.53. "**Hutchison Patent Rights**" means any Patent Right that is Controlled by Hutchison as of the Effective Date or that comes into the Control of Hutchison

during the Term (other than Joint Patent Rights and Patent Rights which are AstraZeneca Patent Rights licensed to Hutchison pursuant to this Agreement) to the extent such rights claim a Collaboration Compound or Collaboration Product, any method of making a Collaboration Compound or Collaboration Product, any composition or formulations of a Collaboration Compound or Collaboration Product or any method of using or administering a Collaboration Compound or Collaboration Product. The Hutchison Patent Rights existing as of the Effective Date are set forth on Schedule 1.49.

1.54. "**Hutchison Supply FTE Costs**" means, to the extent that pursuant to Section 4.4.3, Hutchison is managing the Designated Manufacturer in China, 6 FTEs at $150,000 per annum during the Royalty Period.

1.55. "**Hutchison Technology**" means Hutchison's interest in (a) the Hutchison Know-How and (b) the Hutchison Patent Rights, and all other intellectual property rights in any of the foregoing.

1.56. "**IFRS**" means International Financial Reporting Standards, as in effect from time to time.

1.57. "**Indemnification Claim Notice**" has the meaning set forth in Section 11.3.

1.58. "**Indemnified Party**" has the meaning set forth in Section 11.3.

1.59. "**Indemnifying Party**" has the meaning set forth in Section 11.3.

1.60. "**Indirect Taxes**" means value added taxes, sales taxes, consumption taxes and other similar taxes and the associated taxes or surcharges and stamp duty.

1.61. "**Initiation**" means dosing of the first human subject of a Clinical Trial.

1.62. "**Infringement**" has the meaning set forth in Section 8.6.1.

1.63. "**Invented**" means the act of invention by inventors, as determined in accordance with the patent laws of the United States of America.

1.64. "**Joint Know-How**" means any Collaboration Know-How that is conceived or developed or, in the case of patentable Know-How, Invented jointly by an employee of Hutchison or its Affiliates (or a Third Party acting on any of their behalf) and an employee of AstraZeneca or its Affiliates (or a Third Party acting on any of their behalf).

1.65. "**Joint Patent Right**" means any Patent Right that claims Joint Know-How and is Invented by one or more employees or agents of Hutchison or its Affiliates (or a Third Party acting on any of their behalf) together with one or more employees or agents of AstraZeneca or its Affiliates (or a Third Party acting on any of their behalf).

1.66. "**Joint Technology**" means Joint Know-How, Joint Patent Rights, and all other intellectual property rights therein.

1.67. "**JSC**" has the meaning set forth in Section 3.1.

1.68. "**Know-How**" means all inventions, discoveries, data, information (including scientific, technical or regulatory information), processes, methods, techniques, materials, technology, results, analyses, laboratory data, data arising from Clinical Trials and Post-Approval Clinical Trials, and other know-how, whether or not patentable, including pharmacology, toxicology, drug stability, manufacturing and formulation data, methodologies and techniques, clinical and non-clinical safety and efficacy studies, marketing studies, absorption, distribution, metabolism and excretion studies.

1.69. "**Liability**" has the meaning set forth in Section 11.1.

1.70. "**Litigation Conditions**" has the meaning set forth in Section 11.3.

1.71. "**Major Market Country**" means each of [**].

1.72. "**Manufacture**," "**Manufactured**" or "**Manufacturing**" means all activities associated with the production, manufacture, processing, filling, finishing, packaging, labeling, shipping and storage of Collaboration Products to be Developed or Commercialized under this Agreement, including API Manufacturing, whether such activities are conducted by a Party, its Affiliates or a Third Party contractor of such Party. When used as a verb, "Manufacture" means to engage in Manufacturing.

1.73. "**Net Sales**" means, on a country-by-country and Collaboration Product-by-Collaboration Product basis, with respect to any period for each country, the gross amounts (the "**Gross Sales**") invoiced by a Party, its Sublicensees or its Affiliates, as applicable, to unrelated Third Parties for sales of a Collaboration Product in the Field in such country, less the following deductions to the extent included in the gross invoiced sales price for such Collaboration Product or otherwise directly paid or incurred by a Party, its Sublicensees or its Affiliates with respect to the sale of such Collaboration Product in such country: [**]

[**]. Net Sales will be determined in accordance with GAAP or IFRS, as applicable. For purposes of determining Net Sales, the Collaboration Products shall be deemed to be sold when invoiced and a "sale" shall not include, and no royalties shall be payable on, transfers by AstraZeneca, its Affiliates or Sublicencees of free samples of Collaboration Products or clinical trial materials containing a Collaboration Compound or Collaboration Product, or transfers of Collaboration Product to patients under AstraZeneca's Patient Assistance Program in the United States or any similar programs in other countries, or other transfers or dispositions for charitable, promotional, pre-clinical, clinical, manufacturing, testing or qualification, regulatory or governmental purposes.

In the event a Collaboration Product is sold as a Combination Collaboration Product, Net Sales of the Collaboration Product will be calculated, for each applicable Calendar Quarter, as follows:

(i) If the Combination Collaboration Product, the Single Active Collaboration Product and a product containing solely the other therapeutically or prophylactically active ingredient(s) are sold separately, Net Sales of the Single Active Collaboration Product portion of Combination Collaboration Products will be calculated by multiplying the total Net Sales of the Combination Collaboration Product by the fraction A/(A+B), where A is the average gross selling price in the applicable country of the Single Active Collaboration Product sold separately in the same formulation and dosage, and B is the sum of the average gross selling prices in the applicable country of all products containing solely such other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product sold separately in the same formulation and dosage.

(ii) If the Combination Collaboration Product and the Single Active Collaboration Product are sold separately, but the average gross selling price of a product containing solely the other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product cannot be determined, Net Sales of the Combination Collaboration Product shall be equal to the Net Sales of the Combination Collaboration Product multiplied by the fraction A/C wherein A is the average gross selling price of the Single Active Collaboration Product, and C is the average gross selling price of the Combination Collaboration Product.

(iii) If the Combination Collaboration Product and the product containing solely other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product are sold separately, but the average gross selling price of the Single Active Collaboration Product cannot be determined, Net Sales of the Combination Collaboration Product shall be equal to the Net Sales of the Combination Collaboration Product multiplied by the following formula: one (1) minus B/C wherein B is the average gross selling price of the product containing solely the other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product, and C is the average gross selling price of the Combination Collaboration Product.

(iv) If the Combination Collaboration Product and the product containing solely other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product are sold separately, but the average gross selling price of neither the Single Active Collaboration Product nor the product containing solely the other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product can be determined, Net Sales of the Combination Collaboration Product shall be equal to Net Sales of the Combination Collaboration Product multiplied by a mutually agreed percentage that is reasonably reflective of the relative value of each active ingredient in the Combination Collaboration Product.

The average gross selling price for the Single Active Collaboration Product and such product containing solely other therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product shall be calculated for each Calendar Quarter by dividing the sales amount by the units sold of such Single Active Collaboration Product or such other product containing solely therapeutically or prophylactically active ingredient(s) in the Combination

Collaboration Product, as published by IMS or another mutually agreed independent source. In the absence of appropriate IMS or other mutually agreed upon data, in the initial Calendar Year during which a Combination Collaboration Product is sold, a forecasted average gross selling price shall be used for the Collaboration Compound, other product containing solely therapeutically or prophylactically active ingredient(s) in the Combination Collaboration Product,or Combination Collaboration Product, as applicable. Any over- or under- payment due to a difference between forecasted and actual average gross selling prices shall be paid or credited in the second royalty payment of the following Calendar Year. In the following Calendar Year the average gross selling price of the previous Calendar Year shall apply.

1.74. "**New Drug Application**" or "**NDA**" means a New Drug Application filed with

the FDA as described in 21 CFR § 314, or any corresponding application for Regulatory Approval (not including pricing and reimbursement approval) in any country or regulatory jurisdiction other than the U.S.

1.75. "**New Third Party License**" has the meaning set forth in 5.6.1.

1.76. "**NSCLC**" means non-small cell lung cancer.

1.77. "**Patent Right**" means any and all (a) patent applications filed under Applicable Law in any jurisdiction, including all provisional applications, substitutions, continuations, continuations-in-part, divisions, renewals, and all patents granted thereon, (b) all patents, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms, including supplementary protection certificates or the equivalent thereof and (c) any other form of government-issued right substantially similar to any of the foregoing.

1.78. "**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture, or similar entity or organization, including a government or political subdivision or department or agency of a government.

1.79. "**Pharmacovigilance Agreement**" has the meaning set forth in Section 4.3.5.

1.80. "**Phase I Clinical Trial**" means a Clinical Trial defined in 21 C.F.R. 3 12.21(a), as may be amended from time to time, or any equivalent thereto in any other jurisdiction.

1.81. "**Phase II Clinical Trial**" means a Clinical Trial defined in 21 C.F.R. 3 12.21(b), as may be amended from time to time, or any equivalent thereto in any other jurisdiction.

1.82. "**Phase III Clinical Trial**" means a Clinical Trial defined in 21 C.F.R. 3 12.21(c), as may be amended from time to time, or any equivalent thereto in any jurisdiction.

1.83. "**Phase IV Clinical Trial**" means a Clinical Trial conducted after a Collaboration Product achieves Regulatory Approval, carried out for purposes of conducting safety surveillance and ongoing technical support of the Collaboration Product.

1.84. "**Post-Approval Clinical Trial**" means any Clinical Trial for use of a Collaboration Product in an indication, other than a Phase III Clinical Trial or Phase IV Clinical Trial, to be conducted after a Regulatory Approval for such indication. Post-Approval Clinical Trial shall also include investigator-sponsored studies in approved indications and indications for which regulatory approval has not yet been granted. To the extent there is a pre-clinical component of a Post-Approval Clinical Trial, the pre-clinical work will be

considered part of the Post-Approval Clinical Trial.

1.85. "**Primary Indication**" means [**], as more particularly defined in the Development Plan.

1.86. "**Product Supply Arrangements**" means the arrangements to be agreed by the Parties whereby AstraZeneca licenses manufacturing rights to Hutchison and Hutchison supplies Collaboration Product to the AstraZeneca China legal entity, at the Product Supply Price. Such arrangements shall be formalized under a separate manufacturing license agreement and supply agreement to be negotiated and agreed between the Parties and/or their Affiliates (in the form of one or more agreements).

1.87. "**Product Supply Price**" means the price at which Hutchison shall sell the Collaboration Product to the AstraZeneca China legal entity under the Product Supply Arrangements.

1.88. "**Receiving Party**" has the meaning set forth in Section 6.1.1.

1.89. "**Recipients**" has the meaning set forth in Section 6.1.1.

1.90. "**Regulatory Approval**" means, with respect to a product, the approval and authorization of a Regulatory Authority in a country necessary to manufacture, distribute, sell or market such product in such country.

1.91. "**Regulatory Authority**" means any national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity in each country of the Territory involved in the granting of Regulatory Approvals.

1.92. "**Regulatory Exclusivity**" means any rights or protections which are recognized, afforded or granted by any Regulatory Authority in any country or region in association with the Regulatory Approval of a Collaboration Product, providing such Collaboration Product a period of marketing exclusivity during which a Regulatory Authority that recognizes, affords or grants such marketing exclusivity shall refrain from either reviewing or approving a marketing authorization application or similar Regulatory Submission submitted by a Third Party seeking to market a generic product. Regulatory Exclusivity shall include rights conferred in the United States pursuant to the Hatch-Waxman Amendments to the FD&C Act, the Orphan Drug Act or the Best Pharmaceuticals for Children Act or in the European Union pursuant to Section 10.1 (a)(iii) of Directive 2001 /EC/83.

1.93. "**Regulatory Submissions**" means applications for Regulatory Approval, notification and other submissions made to or with a Regulatory Authority that are necessary or reasonably desirable to Develop, Manufacture or Commercialize a Collaboration Product in the Field in a particular country, whether obtained before or after a Regulatory Approval in the country.

Regulatory Submissions include, without limitation, investigational new drug applications and NDAs, and amendments and supplements to any of the foregoing and their foreign counterparts, applications for pricing and reimbursement approvals, and all proposed labels, labeling, package inserts, monographs and packaging for a Collaboration Product in a particular country.

1.94. "**Regulatory Submission Party**" means, with respect to a country or territory, the Party responsible for regulatory matters in such country or territory pursuant to Section 4.5.1.

1.95. "**Right of Reference**" means a "Right of Reference," as that term is defined in 21 C.F.R. § 3 14.3(b) or any analogous Applicable Law recognized outside of the United States.

1.96. "**Royalty Period**" means, on a country-by-country and Collaboration Product-by-Collaboration Product basis, the period of time [**].

1.97. "**ROW Territory**" means all countries of the world other than China.

1.98. "**Sales Milestone**" has the meaning set forth in Section 5.2.2.

1.99. "**Second RCC Phase III Clinical Trial**" means the SAMETA trial, identified by AZ code D5086C00001.

1.100. "**Secondary Indication**" means [**], as more particularly defined in the Development Plan.

1.101. "**Single Active Collaboration Product**" means a Collaboration Product that contains a Collaboration Compound as the sole active ingredient.

1.102. "**SOTC Arrangements**" means the arrangements to be agreed by the Parties whereby AstraZeneca licenses commercialization rights to Hutchison for provinces whereby 2-tier invoicing restrictions prohibit local supply to AstraZeneca and Hutchison, its Sublicensees or its Affiliates, as applicable, sell, to unrelated Third Parties, Collaboration Product in the Field in such 2-tier invoicing provinces in China. Such arrangements shall be formalized under a separate commercialization license agreement, CSO agreement and SOTC agreement to be negotiated and agreed between the Parties and/or their Affiliates (in the form of one or more agreements).

1.103. "**Sublicensee**" means an Affiliate or Third Party that is granted a license,

sublicense, covenant not to sue or other grant of rights under the licenses granted pursuant to Section 2 of this Agreement. "**Sublicense**" means an agreement or arrangement pursuant to which such a sublicense has been granted to a Sublicensee.

1.104. "**Sublicensee Material Breach**" has the meaning set forth in Section 2.5.3.

1.105. "**Sublicensor**" means a Party that has granted a Sublicense under rights granted to such Party under this Agreement.

1.106. "**Sued Party**" has the meaning set forth in Section 8.7.2.

1.107. "**Technology**" means Know-How and Patent Rights.

1.108. "**Term**" has the meaning set forth in Section 10.1.

1.109. "**Territory**" means China and the ROW Territory.

1.110. "**Third Party**" means any Person other than Hutchison and its Affiliates and AstraZeneca and its Affiliates.

1.111. "**Trademark**" means any trademark used by the Parties in connection with a Collaboration Product, other than the Parties' trade names and trademarks used by the Parties to identify their companies generally.

1.112. "**Translational Research Activities**" means activities relating to the Development of Diagnostic Products.

1.113. "**Valid Claim**" means any claim of (a) any issued and unexpired Patent Right that claims a Collaboration Compound that has not been (i) revoked or held unenforceable, unpatentable or invalid by a Government Authority of competent jurisdiction in a decision that is not appealable or that has not been appealed within the time allowed for appeal or (ii) abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise, or (b) any patent application that claims a Collaboration Compound that has not been (i) cancelled, withdrawn or abandoned without being refiled in another application in the applicable jurisdiction or (ii) finally rejected by an administrative agency or Government Authority of competent jurisdiction in a decision that is not appealable or that has not been appealed within the time allowed for appeal, provided that, on a country-by-country basis, a patent application pending for more than [**] from the priority date of such application shall not be considered to have any Valid Claim for purposes of this Agreement from and after such [**] date unless and until a patent with respect to such application issues.

1.114. "**Withholding Taxes**" has the meaning set forth in Section 5.8.2.

2. SCOPE OF COLLABORATION AND GRANT OF LICENSES.

2.1. Scope of Collaboration. The Parties wish to enter into this Agreement (a) to co- Develop, Manufacture and Commercialize the Collaboration Compound and Collaboration Products in the Field in the Territory and (b) to develop, manufacture and commercialize Agreement Compounds, on an exclusive basis, in accordance with Section 6.3 , in each case ((a) and (b)), in accordance with the terms and conditions of this Agreement.

2.2. License to AstraZeneca. Subject to the terms and conditions of this Agreement, Hutchison hereby grants to AstraZeneca, effective on the Effective Date, (a) a royalty- bearing, co-exclusive license, with the right to sublicense as set forth in Section 2.5, under the Hutchison Technology and Hutchison's interest in the Joint Technology, to Develop the Collaboration Compound and Collaboration Products in the Field in the Territory in accordance with the terms of this Agreement and (b) a royalty-bearing, exclusive (even as to Hutchison subject to Section 4.4) license, with the right to sublicense as set forth in Section 2.5, under the Hutchison Technology and Hutchison's interest in the Joint Technology, to Manufacture and Commercialize the Collaboration Products in the Field in the Territory.

2.3. License to Hutchison. Subject to the terms and conditions of this Agreement, AstraZeneca hereby grants to Hutchison a royalty-free, co-exclusive license, with the right to sublicense as set forth in Section 2.5, under the AstraZeneca Technology and AstraZeneca's interest in the Joint Technology (a) to the extent necessary for Hutchison to exercise its rights and perform its obligations under this Agreement and (b) to Develop the Collaboration Compound and Collaboration Products in the Field in the Territory in accordance with the terms of this Agreement.

2.4. Joint Technology. Subject to the terms and conditions of this Agreement (including Sections 2.2 and 2.3), each Party hereby grants the other Party a worldwide, irrevocable, non-exclusive, perpetual, royalty-free, fully paid up, freely sublicensable right and license to exploit the Joint Technology in any manner without compensating or accounting to the other Party.

2.5. Sublicensing.

2.5.1. AstraZeneca Right to Sublicense.

(a) AstraZeneca shall have the right to grant Sublicenses under the rights granted to AstraZeneca in Section 2.2 to its Affiliates and to Third Parties for the Development, Manufacture and Commercialization of Collaboration Compounds and Collaboration Products in the Field, provided that AstraZeneca shall (i) remain responsible for the performance of its Sublicensees under this Agreement, including for all payments due hereunder; and (b) cause its Sublicensees to comply with the terms of this Agreement.

(b) Each Sublicense (i) shall be subject and subordinate to, and consistent with, the terms and conditions of this Agreement; (ii) shall not diminish, reduce or eliminate any of AstraZeneca's obligations under this Agreement; (iii) shall require the Sublicensee(s) to comply with all applicable terms of this Agreement (except for the payment obligations, for which AstraZeneca shall

remain financially responsible); (iv) shall require that any Sublicensee grant to AstraZeneca a Right of Reference to the same extent of the Right of Reference granted to AstraZeneca pursuant to Section 2.6.1; and (v) shall prohibit further sublicensing except on terms consistent with this Section 2.5.1. AstraZeneca shall provide Hutchison with a complete copy of each Sublicense granted to a Third Party within thirty (30) days after execution thereof; provided, however, that AstraZeneca may redact any Confidential Information from such Sublicense to the extent that such redactions do not reasonably impair Hutchison's ability to ensure compliance with this Agreement.

2.5.2. Hutchison Right to Sublicense.

(a) Hutchison shall have the right to grant Sublicenses under the rights granted to Hutchison in Section 2.3 to its Affiliates and to Third Parties for the Development of the Collaboration Compound and Collaboration Products in the Field in any country; provided that Hutchison shall (i) shall remain responsible for the performance of its Sublicensees under this Agreement, including for all payments due hereunder; and (ii) cause its Sublicensees to comply with the terms of this Agreement.

(b) Each Sublicense (i) shall be subject and subordinate to, and consistent with, the terms and conditions of this Agreement; (ii) shall not diminish, reduce or eliminate any of Hutchison's obligations under this Agreement; (iii) shall require the Sublicensee(s) to comply with all applicable terms of this Agreement; (iv) shall require that any Sublicensee grant to Hutchison a Right of Reference to the same extent of the Right of Reference granted to Hutchison pursuant to Section 2.6.2; and (v) shall prohibit further sublicensing except on terms consistent with this Section 2.5.2. Hutchison shall provide AstraZeneca with a complete copy of each Sublicense within thirty (30) days after execution thereof; provided, however, that Hutchison may redact any Confidential Information from such Sublicense to the extent that such redactions do not reasonably impair AstraZeneca's ability to ensure compliance with this Agreement.

2.5.3. Breach of Sublicense. In the event of an uncured material breach by any Sublicensee under a Sublicense that would constitute a material breach of the Sublicensor's obligations under this Agreement (a "**Sublicensee Material Breach**"), the Sublicensor shall provide prompt written notice of such Sublicensee Material Breach to the other Party and shall use Commercially Reasonable Efforts to remedy such Sublicensee Material Breach; provided, however, that if the Sublicensor is unable to cure such Sublicensee Material Breach in accordance with Section 10.3.1 of this Agreement, such Sublicensee Material Breach shall be deemed to be an uncured material breach by the Sublicensor under this Agreement.

2.5.4. Effect of Termination on Sublicenses. In the event of a termination of this Agreement pursuant to Section 10 while a Sublicense granted under Section 2.5 is in effect, the terms of this Section 2.5.4 shall apply, provided that the Sublicensee is not in default under the applicable Sublicense and such Sublicensee certifies in writing to the non-terminating Party that (x) it is not in default under the applicable Sublicense, (y) such Sublicensee agrees to be bound by the

terms of this Agreement applicable to the Sublicensor and (y) such Sublicensee agrees to the following additional terms:

(a) All of the Sublicensee's obligations under the Sublicense shall remain in effect as obligations to the non-terminating Party and shall be enforceable solely by such Party as a third party beneficiary. The Sublicensee's rights under the Sublicense that do not exceed, and are not inconsistent with, the Sublicensor's rights under this Agreement, whether in scope, duration, nature or otherwise, shall survive termination of the Sublicense.

(b) All of the Sublicensor's rights under the Sublicense shall remain in effect, may be exercised solely by the non-terminating Party as a third party beneficiary and shall inure to the exclusive benefit of the non-terminating Party. All obligations of the Sublicensor under the Sublicense that exceed or are not consistent with the Sublicensor' s obligations under this Agreement, whether in scope, duration, or otherwise, shall terminate.

2.6. Right of Reference.

2.6.1. AstraZeneca Right of Reference. Hutchison hereby grants to AstraZeneca and its Sublicensees a Right of Reference to all data included in the Regulatory Submissions and Regulatory Approvals Controlled by Hutchison and its Affiliates relating to a Collaboration Compound or Collaboration Products to the extent necessary to obtain Regulatory Approval of any Collaboration Product in the Field in any country of the ROW Territory, and Hutchison shall provide a signed statement to this effect, if requested by AstraZeneca, in accordance with 21 C.F.R. § 314.50(g)(3) (or any analogous Applicable Law recognized outside of the United States).

2.6.2. Hutchison Right of Reference. AstraZeneca hereby grants to Hutchison and its Sublicensees a Right of Reference to all data included in the Regulatory Submissions and Regulatory Approvals Controlled by AstraZeneca and its Affiliates relating to Collaboration Products to the extent necessary or useful to Develop or Manufacture Collaboration Compounds or Collaboration Products in the Field in China, and AstraZeneca shall provide a signed statement to this effect, if requested by Hutchison, in accordance with 21 C.F.R. § 3 14.50(g)(3) (or any analogous Applicable Law recognized outside of the United States).

2.7. Delivery of Hutchison Know-How. At no cost to AstraZeneca, within [**] days after the Effective Date, Hutchison shall transfer to AstraZeneca true and complete copies of all Hutchison Know-How (in electronic or hard copy format) with, where applicable (and within reason), a translation into English. Thereafter during the Term, from time to time and otherwise upon AstraZeneca's request, Hutchison shall provide AstraZeneca with true and complete copies of updates to the Hutchison Know-How (in electronic or hard copy format), together with all information or assistance reasonably requested by AstraZeneca with respect to understanding and using such Hutchison Know-How.

2.8. Delivery of AstraZeneca Know-How. At no cost to Hutchison, for so long as the Development Plan remains in effect, from time to time and otherwise upon Hutchison's

request, AstraZeneca shall transfer to Hutchison true and complete copies of all AstraZeneca Know-How (in electronic or hard copy format), together with all information or assistance reasonably requested by Hutchison with respect to understanding and using such AstraZeneca Know-How.

2.9. No Other Rights. No rights, other than those expressly set forth in this Agreement are granted to either Party hereunder, and no additional rights shall be deemed granted to either Party by implication, estoppel or otherwise, with respect to any intellectual property rights. All rights not expressly granted by either Party to the other hereunder are reserved.

3. DECISION MAKING AND DISPUTE RESOLUTION.

3.1. Joint Steering Committee. Within thirty (30) days of the Effective Date, the Parties shall establish a joint steering committee (the "JSC") that will be responsible for overseeing the Development and Commercialization of Collaboration Products in the Field, and will serve as a forum for (a) exchanging data, information and Development strategy regarding the Collaboration Products and (b) keeping Hutchison apprised of all Commercialization activities with respect to the Collaboration Products.

3.1.1. Membership. The JSC will consist of three (3) senior representatives from each Party. AstraZeneca will designate the chairperson of the JSC. The chairperson will be responsible for calling meetings and setting the agenda (which shall include a list of all participants expected at a meeting) and circulating such agenda at least five (5) days prior to each meeting and distributing minutes of the meetings within thirty (30) days following such meeting, but will not otherwise have any greater power or authority than any other member of the JSC. JSC members may be replaced by the Party with authority to designate such member but shall at all times have such expertise as appropriate to the activities of the JSC from time to time, and the JSC shall invite personnel of the Parties having non-clinical safety and animal pharmacology, pharmaceutical development, clinical, biostatistical, regulatory affairs, pharmacovigilance, formulation, manufacturing, commercial, marketing and other expertise to participate in discussions of the JSC from time to time as appropriate to assist in the activities of the JSC. The JSC may appoint subcommittees as desired.

3.1.2. Responsibilities. The JSC may discharge its responsibilities through one or more subcommittees. The JSC's responsibilities will include, without limitation, the following:

(a) overseeing implementation of the Development Plan;

(b) reviewing and evaluating progress under the Development Plan (including compliance with the Development Budget contained therein and payment arrangements) on a quarterly basis and advising the Parties as to any necessary amendments thereto;

(c) allocating and assigning Development activities in the Development Plan between the Parties, consistent with the terms of this Agreement;

(d) approving (or establishing procedures to approve) protocols for pre-clinical studies and Clinical Trials for Development of Collaboration Products;

(e) making modifications to and performing quarterly monitoring of progress of pre-clinical studies and Clinical Trials and proposing additional studies for Collaboration Products;

(f) reviewing and approving any proposed modifications to the Development Plan, including advising the Parties as to whether a Back-Up Compound should be developed in lieu of a Collaboration Compound;

(g) coordinating the Manufacture of global supplies of a Collaboration Compound and Collaboration Product for (i) Clinical Trials and (ii) Commercialization;

(h) reviewing and commenting on Regulatory Submissions relating to Collaboration Products;

(i) facilitating the exchange of all data, information, material or results relating to Development of Collaboration Products;

(j) establishing procedures regarding the collection, sharing and reporting of Adverse Event information related to Collaboration Products consistent with the Pharmacovigilance Agreement to be entered into in accordance with Section 4.3.5;

(k) facilitating the transfer of Know-How pursuant to this Agreement;

(l) developing a strategy for performing Translational Research Activities and Developing a Diagnostic Product, as necessary, under the Development Plan and overseeing implementation of any such strategy;

(m) establishing and overseeing implementation of the Commercialization Plan;

(n) performing such other activities as are contemplated under this Agreement and that the Parties mutually agree shall be the responsibility of the Joint Steering Committee.

Notwithstanding the foregoing, in no event shall the JSC or any subcommittee of the JSC have the authority to (i) reduce or expand the obligations of the Parties under this Agreement; (ii) determine that a breach has occurred under this Agreement; (iii) waive a Party's rights or obligations under this Agreement; or (iv) make any decision that is specified elsewhere in this Agreement as being made by one or both Parties.

3.1.3. Meetings. During the period before First Commercial Sale, the JSC will meet at such frequency as shall be established by the Parties (but, unless otherwise agreed, not less

frequently than four (4) times per year). Meetings of the JSC shall alternate between the offices of the Parties, unless otherwise agreed upon by the members of the JSC, or may be held telephonically or by video conference. Meetings of the JSC shall be effective only if at least one representative of each Party is in attendance or participating in the meeting. Members of the JSC shall have the right to participate in and vote at meetings by telephone. Each Party shall be responsible for expenses incurred by its employees and its members of the JSC in attending or otherwise participating in JSC meetings. Each Party shall use reasonable efforts to cause its representatives to attend the meetings of the JSC. If a representative of a Party is unable to attend a meeting, such Party may designate an alternate to attend such meeting in place of the absent representative.

3.1.4. Minutes and Agendas. The minutes of each JSC meeting shall provide a description in reasonable detail of the discussions held at the meeting and a list of any actions, decisions or determinations approved by the JSC. Minutes of each JSC meeting shall be prepared in English, approved or disapproved, and revised as necessary, at the next meeting.

3.2. Other Committees. The JSC may establish subcommittees as the Parties mutually deem appropriate.

3.2.1. Joint Development Committee. Promptly after the Effective Date, the JSC shall establish a joint development committee ("**JDC**"). The JDC shall have primary responsibility for the matters set forth in Section 3.1.2(a) - 3.1.2(f) and 3.1.2(h) - 3.1.2(j), together with such other matters as are delegated to the JDC by the JSC.

3.2.2. Joint Commercial Committee Prior to Commercialization of any Collaboration Product, the JSC shall establish a joint commercial committee ("**JCC**"). The JCC shall have primary responsibility for the matters set forth in Section 3.1.2(m), together with such other matters as are delegated to the JCC by the JSC.

3.2.3. Joint Diagnostic Development Committee. Promptly after the Effective Date, the JSC shall establish a joint diagnostic development committee ("**JDDC**"). The JDDC shall have primary responsibility for the matters set forth in Section 3.1.2(l).

3.2.4. Joint Manufacturing Committee. Promptly after the Effective Date, the JSC shall establish a joint manufacturing committee ("**JMC**"). The JMC shall have the primary responsibility for the matters set forth in 3.1.2(g).

3.2.5. Joint Intellectual Property Committee. Promptly after the Effective Date, the JSC shall establish a Joint IP Committee ("**JIPC**"). The JIPC shall have primary responsibility for establishing a strategy for the prosecution, maintenance and enforcement of intellectual property rights relating to the Collaboration Product, together with such other matters as are delegated to the JIPC by the JSC. The JIPC shall have primary responsibility for the matters set forth in Section 3.1.2(k), together with such other matters as are delegated to the JIPC by the JSC.

3.3. Elevation and Dispute Resolution. [**].

3.3.1. [**].

3.3.2. [**]:

(a) [**]

(b) [**]

(c) [**]

(d) [**]

(e) [**]

3.3.3. [**]

4. DEVELOPMENT, REGULATORY, COMMERCIALIZATION.

4.1. Development of Collaboration Product and Diagnostic Product.

4.1.1. Development Plan. The initial Development Plan for the Collaboration Product in the Field is set forth in Schedule 1.34. The JDC will direct, coordinate and manage the Development of Collaboration Products in the Field in accordance with the Development Plan. During the Term, the JDC will review the Development Plan (including the Development Budget) on an ongoing basis, but no less frequently than once per year during the period preceding First Commercial Sale and will amend as necessary, provided that the JDC will not assign any Development activities to a Party, or allocate any Development Costs to a Party beyond those set forth in the initial Development Plan attached hereto without the other Party's prior written consent.

4.1.2. Development Activities. Each Party shall use Commercially Reasonable Efforts to implement and conduct the Development activities assigned to it under the Development Plan, in accordance with the Development Budget and the timelines set forth in the Development Plan, and to cooperate with and provide reasonable support to the other Party in such other Party's conduct of activities under the Development Plan. Each Party will undertake its respective Development activities in accordance with GLP, GCP, GMP, as appropriate, and with all Applicable Laws. Except for the specific responsibilities allocated to Hutchison as set forth in the Development Plan with respect to Development activities intended to support obtaining Regulatory Approval for Collaboration Products or Diagnostic Products in China (which responsibilities shall include being sponsor of registrational trials in China, including any trials required by the China Health Authority for conditional approval), AstraZeneca will be responsible for performing all Development activities, including global studies with a China component, for the purpose of obtaining Regulatory Approval for Collaboration Product and Diagnostic Products in the ROW Territory. The Parties shall share costs and expenses under this Section 4.1.2 in accordance with the allocations set forth in Section 5.7. All Clinical Trials initiated after the Effective Date and performed by a Third Party will be conducted by agents both Parties agree have sufficient capability to ensure all Clinical Trials performed by such Third Party are conducted and reported, and can be audited to show they have been conducted and reported, to comply with standards of GCP acceptable to Regulatory Authorities globally.

4.1.3. Reports of Development Activities. Each Party shall report on Development activities undertaken by such Party in accordance with Development Plan by providing a reasonably detailed summary of all results, data and material inventions, if any, obtained from such activities, together with a summary of the Development activities that such

Party intends to undertake during the next twelve (12) months with respect to Development of a Collaboration Compound and Collaboration Product. Such reports shall be provided in English by each Party to the other at least [**] days prior to each meeting of the JDC, [**]. In addition, each Party shall, at its own expense, make appropriate scientific and regulatory personnel available to the other Party, either by telephone or in person as the Parties may mutually agree, as reasonably required to keep the other Party informed of Development activities.

4.1.4. Development Diligence Obligations. AstraZeneca shall use Commercially Reasonable Efforts to apply for and obtain Regulatory Approval of the Collaboration Product in the ROW Territory, and Hutchison shall use Commercially Reasonable Efforts to apply for and obtain Regulatory Approval of the Collaboration Product in China, in each case, as soon as reasonably practicable. AstraZeneca shall use Commercially Reasonable Efforts to Develop or procure the Development of any Diagnostic Products reasonably necessary to Commercialize the Collaboration Products and to apply for and obtain Regulatory Approval of such Diagnostic Products in the Territory as soon as reasonably practicable.

[**]

[**]

4.2. Failure of Collaboration Product. In the event [**], such Party shall have the right to request a meeting of the JSC, which shall discuss in good faith the Back-Up Compounds then available. In such case, the following provisions shall apply.

4.2.1. Nomination of New Collaboration Compound. In the event [**], the JSC (advised by the JDC, as appropriate) shall promptly nominate a Back-Up Compound to replace the Collaboration Compounds (such Back-Up Compound, a "**New Collaboration Compound**"), and the Parties shall promptly meet to negotiate in good faith a definitive agreement (or amendment to this Agreement, if appropriate) that sets forth each Party's rights and obligations with respect to such New Collaboration Compound. Until execution of any such definitive agreement (or amendment), the terms and conditions of this Agreement applicable to the Collaboration Compound shall continue in full force and effect.

4.2.2. Failure to Agree on New Collaboration Compound. In the event the Parties do not mutually agree as to whether the Parties should continue activities under the Development Plan with respect to the Collaboration Compound, either Party shall have the right to terminate this Agreement under Section 10.2, and the effects of termination set forth in Section 10.4.1 shall apply.

4.3. Regulatory Matters.

4.3.1. Responsibility for Regulatory Interactions.

(a) Subject to the terms and conditions of this Agreement, including Section 4.3.1(d) AstraZeneca shall be responsible for all regulatory matters relating to Collaboration Products and Diagnostic Products in all countries and territories

other than China, and Hutchison shall be responsible for all regulatory matters relating to Collaboration Products and Diagnostic Products in China. Hutchison shall be the Regulatory Submission Party for China, and AstraZeneca shall be the Regulatory Submission Party for the ROW Territory. The costs and expenses associated with the Parties' activities under this Section 4.3.1 shall be allocated as set forth in Section 5.7. With regard to the Development of a Diagnostic Product, it is the Parties' current intention that such Development will be undertaken by a Third Party under contract to the Parties and such Third Party will be responsible for the regulatory matters relating to the Diagnostic Products.

(b) Without limiting the foregoing, subject to the terms and conditions of this Agreement, including Section 4.3.1(d), the Regulatory Submission Party shall have sole authority in the applicable country or territory with respect to (i) obtaining Regulatory Approvals for Collaboration Products and subsequently maintaining such Regulatory Approvals, (ii) communicating with Regulatory Authorities about Collaboration Products and (iii) preparing and submitting supplements, communications, annual reports, Adverse Event reports, manufacturing changes, supplier designations and other related regulatory filings and Regulatory Submissions (including with respect to Phase IV Clinical Trials and Post-Approval Clinical Trials, in each case as approved in accordance with Section 4.5.1). Hutchison shall give AstraZeneca a reasonable opportunity and reasonable time to review and comment on regulatory submissions in China pertaining to safety, Phase IV Clinical Trials, and Post-Approval Clinical Trials before such submissions are submitted to the China Health Authority, and shall reflect any reasonable comments offered by AstraZeneca.

(c) Notwithstanding anything to the contrary in this Agreement, in the event the Parties pursue Development and/or Commercialization of (i) a Collaboration Product in combination with an AstraZeneca-proprietary product, or (ii) a Combination Collaboration Product that contains an AstraZeneca-proprietary product as an active ingredient (collectively, an "AZ Proprietary Combination Product"), AstraZeneca shall be responsible for all regulatory matters relating to such AZ Proprietary Combination Product in the Territory and shall be the Regulatory Submission Party for the AZ Proprietary Combination Product in the Territory.

(d) Each Party shall keep the JSC reasonably informed regarding the status and progress of its activities conducted pursuant to this Section 4.3.1, including providing the JSC with advance notice of all meetings scheduled with a Regulatory Authority (including notice promptly after a request for a meeting received from a Regulatory Authority) involving a Regulatory Submission, providing the JSC with a copy of all substantive written correspondence from a Regulatory Authority involving a Regulatory Submission, notifying the JSC of all oral substantive correspondence from a Regulatory Authority involving a Regulatory Submission, and promptly providing the JSC with each Regulatory Submission submitted to a Regulatory Authority.

4.3.2. Regulatory Cooperation. At no cost to the other Party, other than reimbursement of a Party's reasonable out-of-pocket costs and expenses, the Regulatory Submission Party shall provide the other Party with reasonable access to and copies of any documents, correspondence or other materials Controlled by the Regulatory Submission Party that are useful for Regulatory Submissions for Collaboration Products to be made by the other Party pursuant to Section 4.3.1, and will otherwise cooperate with the other Party with respect to such Party's efforts to obtain and maintain Regulatory Approvals for Collaboration Products in the Field pursuant to Section 4.3.1. The parties shall also use good faith efforts to align on the indications pursued for regulatory approval in China and the ROW Territory.

4.3.3. Regulatory Meetings. The Regulatory Submission Party shall provide the other Party with notice of all meetings, conferences and discussions (including without limitation, advisory committee meetings or any other meeting of experts convened by any Regulatory Authority concerning any topic relevant to the Collaboration Product) promptly after the scheduling of such meeting, conference or discussion. The Party that does not, at the time of such meeting, own the Regulatory Submission for the Collaboration Product that is the subject of such meeting shall be entitled to have one (1) or more representatives, as appropriate under the circumstance and at its sole cost, present at all such meetings. Hutchison and AstraZeneca, through the JDC, shall use all reasonable efforts to agree in advance on the scheduling of such meetings, conferences and discussions and on the objectives to be accomplished at such meetings, conferences and discussions and the agenda for the meetings, conferences and discussions with the Regulatory Authority. Each Party shall provide to the other Party, as soon as reasonably practicable but in no event more than two (2) Business Days after its receipt, copies of any material documents or other material correspondence received from a Regulatory Authority in China, United States, European Union or Japan pertaining to the Collaboration Compound or Collaboration Product.

4.3.4. Regulatory Audits. If a Regulatory Authority desires to conduct an inspection or audit of a Party's facility, or a facility under contract with a Party, with regard to a Collaboration Product, then such Party shall promptly notify the other Party and permit and cooperate with such inspection and audit. Following receipt of the inspection or audit observations of such Regulatory Authority (a copy of which the audited Party will immediately provide to the other Party), the audited Party shall prepare the response to any such observations and shall provide a copy of such response to the other Party.

4.3.5. Adverse Events. Within ninety (90) days after the Effective Date, the Parties will enter into a pharmacovigilance agreement, which upon such execution will be attached as an exhibit hereto and hereby incorporated into this Agreement by reference (the "Pharmacovigilance Agreement"). The Parties shall comply with the provisions of such agreement. AstraZeneca shall maintain and will be the recognized holder of a global safety database for Adverse Event reports related to the Collaboration Product, subject to Section 4.3.1. Unless otherwise agreed to by the Parties, and subject to Section 4.3.1, the Marketing Authorization Holder ("MAH") will respond to all safety inquiries regarding the Collaboration Product in the country or countries in which the MAH is held.

4.3.6. HGR Compliance. In performing its obligations under this Agreement, unless otherwise agreed by the Parties, Hutchison shall apply for and obtain, and shall cause its

Affiliates or Sublicensees to apply for and obtain, all necessary filings, approvals and permits (including all human genetic resources ("HGR") applications and corresponding HGR filing and approvals (including the main approvals, and if any, the export approvals)) that are required by the Applicable Laws, and shall consult with AstraZeneca in good faith on the strategy for such applications and filings.

4.4. Manufacture.

4.4.1. Selection of a Manufacturer for Clinical Supply. Promptly after the Effective Date, the JSC shall select one (1) or more manufacturers to Manufacture and supply Collaboration Compound and Collaboration Product for all Development activities under the Development Plan in the Territory (the "**Designated Manufacturer**"). In the event that the JSC cannot unanimously agree on the selection of a single Designated Manufacturer for the Territory, AstraZeneca shall have the right to select a Designated Manufacturer to Manufacture the Collaboration Compound or Collaboration Product for use in the Territory, recognizing the needs for selecting a Designated Manufacturer to Manufacture in China for the China Development Activities in order to support the rapid Regulatory Approval of the Collaboration Product in China.

4.4.2. Designated Manufacturer Agreements for Clinical Supply. Subject to oversight by the JSC, the Parties shall be jointly responsible for procuring sufficient quantities of Collaboration Compound and Collaboration Product as are necessary for the Parties to perform their respective obligations under the Development Plan. Unless the Parties agree to a single Designated Manufacturer under Section 4.4.1, Hutchison shall (x) negotiate in good faith and enter into an agreement with a Designated Manufacturer for the Manufacture and supply of such quantities of Collaboration Compound and Collaboration Product as are necessary for Hutchison to perform its obligations under the Development Plan (i.e., with respect to China) or (y) with AstraZeneca's prior approval (not to be unreasonably withheld, delayed or conditioned), Manufacture and supply such quantities of Collaboration Compound and Collaboration Product itself or through an Affiliate. In the case where such agreement refers to the future commercial terms of supply of a Collaboration Compound or Collaboration Product then the prior approval of AstraZeneca to such terms shall be sought. Unless the Parties agree to a single Designated Manufacturer under Section 4.4.1, AstraZeneca shall negotiate in good faith and enter into an agreement with a Designated Manufacturer for the Manufacture and supply of such quantities of Collaboration Compound and Collaboration Product as are necessary for AstraZeneca to perform its obligations under the Development Plan (i.e., with respect to the ROW Territory). Each Party shall promptly provide to the other Party a copy of its agreement with the Designated Manufacturer promptly after execution thereof. [**]. The Parties shall share costs and expenses of procuring supply from a Designated Manufacturer under this Section 4.4.2 in accordance with the allocations set forth in Section 5.7.

4.4.3. Commercial Supply of Collaboration Compound and Collaboration Product.

(a) AstraZeneca shall be solely responsible, at its sole expense, for Manufacturing or having Manufactured commercial quantities of Collaboration Compound and Collaboration Product for sale throughout the Territory. Notwithstanding the foregoing, and to the extent that Hutchison is the Marketing Authorisation Holder (MAH) for the Collaboration Product in China, the Parties may agree in writing on a case-by-case basis that Hutchison may itself Manufacture the Collaboration Compound or Collaboration Product in China or engage, either directly or through an Affiliate, a Designated Manufacturer to Manufacture the Collaboration Compound or Collaboration Product in China. AstraZeneca shall have the right to consent to such arrangement, including any Designated Manufacturer and the terms on which such Designated Manufacturer is engaged by Hutchison, such consent not to be unreasonably withheld, conditioned or delayed, and shall then provide a manufacturing license right in China to Hutchison and the Designated Manufacturer. Hutchison shall provide to AstraZeneca a copy of the agreement which Hutchison has entered into with the Designated Manufacturer promptly after execution thereof and shall not (i) terminate or amend the terms of its agreement with the Designated Manufacturer without first providing notice of such termination or amendment to AstraZeneca or (ii) enter into any other agreement for the supply or Manufacture of Collaboration Compound or Collaboration Product without the prior written consent of AstraZeneca, such consent not to be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary set forth in this Agreement, AstraZeneca consents to Shanghai STA Pharmaceutical Product Co., Ltd. (上海合全医药有限公司) as a Designated Manufacturer engaged by Hutchison under this Agreement.

(b) To the extent that Hutchison maintains the MAH for the Collaboration Product in China and engages a Designated Manufacturer to Manufacture the Collaboration Compound or Collaboration Product in China, Hutchison shall, as between the Parties, (i) be responsible for pursuing and maintaining all necessary manufacturing approvals in China, and (ii) assume all legal responsibility for the manufacture of the Collaboration Product in China and for management and oversight of the Designated Manufacturer in China. Hutchison shall further exercise commercially reasonable efforts to negotiate a reasonable purchase price for the supply of the Collaboration Product from its Designated Manufacturer ("Designated Manufacturer Supply Price").

(c) Prior to commercial launch of a Collaboration Product in the Field in China, AstraZeneca and Hutchison shall negotiate in good faith a definitive Commercial Supply and Quality Assurance Agreement to memorialize and regulate manufacture and supply of the Collaboration Product in China pursuant to this Section 4.4.3.

4.5. Commercialization.

4.5.1. Commercialization Activities. As of the Effective Date, the Parties contemplate that (i) AstraZeneca shall be responsible for the Commercialization — including for

the avoidance of doubt, Phase IV Clinical Trials and Post-Approval Clinical Trials—of the Collaboration Product in the Territory and (ii) the Parties may negotiate in good faith to co- Commercialize (but not co-promote) the Collaboration Product in China. Any such co- Commercialization shall be subject to a separate written agreement of the Parties. To the extent that Hutchison is the MAH in China, Hutchison shall conduct all regulatory and clinical activities that are reasonably required to be conducted by the MAH or in the MAH's name and that are necessary for the Commercialization of the Collaboration Product in the Territory (including pursuing and maintaining all necessary post-marketing approvals in China). Hutchison shall also cooperate in good faith with AstraZeneca with regard to the conduct of Phase IV Clinical Trials and Post-Approval Clinical Trials, including by facilitating the fulfillment of AstraZeneca's reasonable requests for clinical supply from a Designated Manufacturer of the Collaboration Compound or Collaboration Product in China pursuant to Section 4.4.3.

4.5.2. Reports of Commercialization Activities. AstraZeneca shall provide Hutchison with quarterly reports of the activities it has undertaken with regard to Commercializing Collaboration Products in the Field in all countries and territories, including AstraZeneca's efforts to achieve the diligence obligations set forth in Section 4.6.4. In addition, AstraZeneca shall meet with Hutchison, at Hutchison's request, no more than two (2) times per year to report on the activities it has undertaken with regard to Commercializing Collaboration Products in the Field and to provide a forum for Hutchison to provide feedback regarding such Commercialization activities, which feedback shall be reasonably considered by AstraZeneca in developing its future Commercialization strategy for a Collaboration Compound and Collaboration Products.

4.5.3. Commercialization Diligence Obligations. AstraZeneca shall use Commercially Reasonable Efforts to Commercialize Collaboration Products in the Field in the Territory. AstraZeneca shall use Commercially Reasonable Efforts to identify and procure the Commercialization of any Diagnostic Product reasonably necessary to Commercialize the Collaboration Products in the Territory. Upon the grant of a Regulatory Approval for a Collaboration Product in a country, AstraZeneca shall use Commercially Reasonable Efforts to market Collaboration Products in such country. AstraZeneca shall not, and shall ensure that its Affiliates and Sublicensees do not, seek Regulatory Approval for or Commercialize a Combination Collaboration Product in any country or territory prior to obtaining Regulatory Approval for and Commercializing in such country a Collaboration Product that is not a Combination Collaboration Product.

4.6. Phase IV, Early Access Programs, and Publication Strategy.

4.6.1. Conduct of Phase IV Clinical Trials. Neither Party shall undertake, or permit its Affiliates or Sublicensees to undertake, any pre-clinical study or Clinical Trial of any Collaboration Product, including Phase IV Clinical Trials, but excluding any studies required for Regulatory Approval or otherwise imposed by a Regulatory Authority and authorized under the Development Plan, without approval of such studies by the JSC.

4.6.2. Publication Strategy. The Parties shall coordinate worldwide publication strategy involving Collaboration Products and activities involving Collaboration Products related to scientific conferences through the JSC. Review and approval of individual manuscripts shall be delegated to appropriate working groups of the Parties. Each Party shall be afforded the

opportunity to review and approve any scientific paper or presentation with respect to any Collaboration Product proposed for publication, presentation or distribution by the other Party or its Affiliates or Sublicensees and shall have no more than [**] to complete such review and approval (or such shorter period as may reasonably be required by applicable publication deadlines promptly communicated to such Party). The Party proposing a publication or presentation shall (a) not unreasonably reject comments furnished by the other Party, (b) comply with the other Party's request to delete references to its Confidential Information in any such publication or presentation and (c) delay publication for such reasonable period requested by the other Party to permit the filing of patent applications concerning any AstraZeneca Technology, Hutchison Technology or Joint Technology disclosed in material proposed for such publication or presentation. In no event will Confidential Information of a Party be published without the consent of such Party.

4.6.3. Permitted Publications. Notwithstanding anything to the contrary in this Agreement, both Parties and their respective Affiliates shall be entitled to publicly disclose significant Collaboration Product achievements of the type and by the means customary for similarly situated companies, including commencement of Clinical Trials, significant factual information with respect to Clinical Trials (including numbers of patients, centers, investigators, descriptions of protocols, completion of enrollment and of treatment under Clinical Trials, safety and efficacy data and other results of Clinical Trials) and filings with and actions by Regulatory Authorities. Prior to publicly disclosing any such Collaboration Product achievement, including any results of Clinical Trials, the disclosing Party will provide the other Party with a copy of such disclosure no later than [**] business days in advance, or if such advance notice is not practicable under the circumstances, as much advance notice as the disclosing Party can reasonably provide (if any) and shall take into account the good faith and reasonable comments made by the other Party within such period.

5. CONSIDERATION.

5.1. Upfront Payments. In consideration of the rights granted to AstraZeneca under this Agreement and the investment incurred for HMPL-504 by Hutchison prior to the date of this Agreement, AstraZeneca shall, upon receipt of an invoice, make a payment of [**] on the Effective Date as an upfront, non-creditable, non-refundable fee to Hutchison, and such fee will not be reduced by the amount of any Indirect Taxes or Withholding Taxes required to be paid by AstraZeneca under any Applicable Law, subject, however, to Section 5.8.2 and 5.8.3. The Parties agree that AstraZeneca has provided the Upfront Payment as of the Restatement Date.

5.2. Milestones.

5.2.1. Development Milestones. As additional consideration for the rights granted to AstraZeneca under this Agreement, except as otherwise set forth below, AstraZeneca will pay Hutchison, upon receipt of an invoice, the following non-creditable, non-refundable (except as set forth in Section 9.3) amounts, within [**] after the first occurrence of each of the following events (each, a "**Development Milestone**"). For the avoidance of doubt, each Development Milestone shall be paid only once during the Term, regardless of the number of Collaboration Compounds or Collaboration Products that achieve the corresponding Milestone Event:

EVENT	MILESTONE. PAYMENT
Initiation of the first Phase I Clinical Trial in China	$5,000,000 *The parties agree that AstraZeneca has made this payment as of the Restatement Date.*
[**]	[**] *The parties agree that AstraZeneca has made this payment as of the Restatement Date.*
Initiation of the first Phase IIb Clinical Trial in the Secondary Indication (or an indication having equal or greater market potential as Secondary Indication)	$5.000.000 *The parties agree that AstraZeneca has made this payment as of the Restatement Date.*
[**] For the avoidance of doubt, initiation of any of the Clinical Trials set forth in Schedule 4.1.6 shall not trigger this Development Milestone.	[**]
[**]	[**] *The parties agree that AstraZeneca has made this payment as of the Restatement Date.*
[**]	[**]
[**]	[**]
[**]	[**]

In determining whether, for the purposes of this Section 5.2.1, an indication has equal or greater market potential as the Primary Indication or the Secondary Indication as the case may be, the JSC shall meet to discuss in good faith whether such indication does, in fact, have

equal or greater market potential. [**].

Any Development Milestone payable under this Section 5.2.1 will not be reduced by the amount of any Indirect Taxes or Withholding Taxes required to be paid by AstraZeneca under any Applicable Law, subject, however. to Section 5.8.2 and 5.8.3.

5.2.2. Sales Milestones. As further consideration for the rights granted to AstraZeneca under this Agreement, AstraZeneca will pay Hutchison upon receipt of an invoice the following non-creditable, non-refundable amounts within [**] days after the first occurrence of the following events (each, a "**Sales Milestone**"):

EVENT	MILESTONE PAYMENT
[**]	[**]
[**]	[**]
[**]	[**]

5.2.3. Notice of Milestone Event. AstraZeneca shall notify Hutchison as promptly as reasonably practicable after the occurrence of each Development Milestone and each Sales Milestone, but in no event later than ten (10) days after the occurrence thereof.

5.3. Royalties. In addition to the payments under Sections 5.1 and 5.2, in consideration for the rights granted to AstraZeneca under this Agreement, AstraZeneca shall pay to Hutchison the royalty payments set forth in this Section 5.3, as such may be adjusted pursuant to the terms hereof.

5.3.1. China Royalty. During the Royalty Period. subject to Section 5.3.3, Hutchison, on a Collaboration Product-by- Collaboration Product basis, shall be entitled to receive

from AstraZeneca or its Affiliates an amount equal to [**] of annual aggregate Net Sales of each such Collaboration Product in the Field in China in such Calendar Year (or portion thereof) plus the Designated Manufacturer Supply Price and Hutchison Supply FTE Costs with such amounts to be achieved through a combination of the amounts received by Hutchison under the Product Supply Arrangements and SOTC Arrangements and by the payment of royalties. Within 60 days of the Restatement Date, the Parties shall negotiate in good faith the appropriate agreements to operationalize the principles set forth in this Section 5.3, such agreements to include the Product Supply Arrangements and SOTC Arrangements. The collective impact of any such agreements shall solely alter the mechanics of settlement between the parties and not alter the underlying economics, such that Hutchison shall receive a final amount annually equivalent to the agreed contractual royalty of an amount equal to [**] of annual aggregate Net Sales of each such Collaboration Product in the Field in China in such Calendar Year (or portion thereof).

5.3.2. Rest of World Royalty.

(a) During the applicable Royalty Period, AstraZeneca shall pay to Hutchison, on a country-by-country and Collaboration Product-by- Collaboration Product basis, royalties at a rate equal to the rates outlined below ("**Base ROW Royalty**"):

(i) [**] of Net Sales in each Calendar Year (or portion thereof) for the portion of annual aggregate Net Sales of such Collaboration Product in the Field in the ROW Territory below or equal to [**]; plus

(ii) [**] of Net Sales in each Calendar Year (or portion thereof) for the portion of annual aggregate Net Sales of such Collaboration Product in the Field in the ROW Territory greater than [**] and less than or equal to [**]; plus

(iii) [**] of Net Sales in each Calendar Year (or portion thereof) for the portion of annual aggregate Net Sales of such Collaboration Product in the Field in the ROW Territory greater than [**].

The above annual royalty rates and tiers shall start anew at the respective tiers at the start of every Calendar Year during the applicable Royalty Period.

(b) Subject to Section 5.3.2(c) below, if Regulatory Approval in a Major Market for commercialization of the Collaboration Product in a Secondary Indication is achieved, then during the applicable Royalty Period, on a country-by-country and Collaboration Product-by- Collaboration Product basis, in addition to the Base ROW Royalty, AstraZeneca shall pay **Additional ROW Royalties** to Hutchison at the **Additional ROW Royalty Rate** set forth in accordance with the equation below, for Net Sales in each Calendar Year (or portion thereof) of such Collaboration Product in the Field in the ROW Territory:

Additional ROW Royalty Rate = Base Additional ROW Royalty Rate * [**]

Where:

- **Base Additional ROW Royalty Rate is [**]** until AstraZeneca has paid Additional ROW Royalties totaling [**] times the total amount that Hutchison has invested in the Development of the Collaboration Product **for** the Secondary Indication **("Additional ROW Royalties First Cut off Date").** The total amount that Hutchison has invested in the Secondary Indication shall be calculated as Hutchison's absolute contribution (including internal expenses and out-of-pocket costs) to (1) the First RCC Phase III Costs and (2) the costs of the Additional RCC Registrational Trials, subject to audit and reconciliation by AstraZeneca pursuant to Sections 5.8.7 through 5.8.9 mutatis mutandis. After reaching the Additional ROW Royalties First Cut Off Date, the Base Additional ROW Royalty Rate will descend to [**] of Net Sales until 24 months past the Additional ROW Royalties First Cut off Date (the **"Additional ROW Royalties Second Cut off date").** After this, the Base Additional ROW Royalty Rate will be [**] of Net Sales.

- For clarity, the above formula includes the Hutchison contribution of approximately [**] towards the First RCC Phase III Costs (which will be calculated exactly upon full completion of the First RCC' Phase III study) and the [**] Hutchison initial contribution towards the costs of the Additional RCC Registrational Trials.

- x is Hutchison's absolute contribution (including internal expenses and out-of-pocket costs) to the costs of the Additional RCC Registrational Trials, minus [**], subject to audit and reconciliation by AstraZeneca pursuant to Sections 5.8.7 through 5.8.9 mutatis mutandis.

- y is the total of AstraZeneca's and Hutchison's absolute contributions to the costs of the Additional RCC Registrational Trials (including costs for the Second RCC Phase III Clinical Trial) minus [**] subject to audit and reconciliation by each party pursuant to Sections 5.8.7 through 5.8.9 mutatis mutandis.

By way *of example.:*

If the parties conducted a Second RCC Phase III Trial that cost [**] then pursuant to Section 5.7, Hutchison would fund the [**] in costs. The [**] would be split [**] between Hutchison and AstraZeneca, with each party

paying [**]. Accordingly, if the parties received Regulatory Approval in a Major Market for commercialization of the Collaboration Product in the RCC indication, the Additional ROW Royalty Rate initially would be calculated as follows:

[**]

(c) In the event the Additional RCC Registrational Trials do not meet their key endpoints, there is not Regulatory Approval of the Collaboration Product for commercialization in a Major Market, or if Development of all Collaboration Products for the Secondary Indication is permanently abandoned or stopped in accordance with this Agreement prior to Commercialization of any Collaboration Product for the Secondary Indication, no Additional ROW Royalties shall be payable. Notwithstanding the foregoing, the Parties will negotiate in good faith the value of any data generated through Hutchison having funded the First RCC Phase III Clinical Trial and/or the Additional RCC Registrational Trials which is then subsequently used by AstraZeneca or its Sublicensees for Development of the Collaboration Product in any other indication (other than the Secondary Indication) and to what extent this would justify paying Hutchison reduced Additional ROW Royalties; provided that AstraZeneca shall initiate such negotiations prior to the use of such data.

(d) The Parties acknowledge that as of the Restatement Date, (i) the First RCC Phase III Clinical Trial has been terminated; (ii) Hutchison had contributed approximately [**] towards the First RCC Phase III Costs; (iii) Hutchison has at its sole discretion elected to provide part of the funding required to conduct Additional RCC Registrational Trials by [**] towards the costs of the Additional RCC Registrational Trials as well as [**] of any remaining costs of the Additional RCC Registrational Trials pursuant to Section 5.7.2.; and (iv) as a result of (i) , (ii) and (iii), Hutchison is deemed to have paid all the First RCC Phase III Costs.

(e) To the extent that Hutchison earns Excess Profits under the China Commercialization Arrangements, any ROW Royalty due to Hutchison under this Section 5.3.2 shall be settled firstly by way of netting off such Excess Profits with any balance remaining to be settled by way of a payment from AstraZeneca to Hutchison. Such netting off shall solely alter the mechanics of settlement between the parties and not alter the underlying economics, such that Hutchison shall receive a final amount annually equivalent to the agreed contractual royalty as calculated pursuant to this Section 5.3.2.

5.3.3. Adjustments in Royalty Rates. On a country-by-country basis [**], AstraZeneca shall owe royalties under Section 5.3 (as applicable to such country) on the

amount of the Net Sales of such Collaboration Product in such country at rates that are [**] of the rates otherwise payable under such Section 5.3 for the remainder of the Royalty Period.

5.4. Sales Subject to Royalties. Sales of Collaboration Product between AstraZeneca, its Affiliates and Sublicencees that are purchased for re-sale shall not be subject to royalties hereunder. Royalties shall be calculated on AstraZeneca's and its Affiliates' sale of the Collaboration Products to Third Parties (including distributors). Royalties shall be payable only once per unit of Collaboration Product.

5.5. Fully Paid-Up, Royalty Free License. Following the expiration of the Royalty Period for any Collaboration Product in a given country of the Territory, no further royalties shall be payable in respect of Net Sales of such Collaboration Product in such country and, thereafter, the license granted to AstraZeneca under Section 2.2 with respect to such Collaboration Product in such country shall automatically become a fully paid-up, perpetual, irrevocable, non-terminable, royalty-free, non-exclusive license.

5.6. Third Party Intellectual Property. Neither Party shall negotiate or enter into any New Third Party License without first discussing such new Third Party License at the Joint Steering Committee and complying with the provisions of this Section 5.6.

5.6.1. Terms of New Third Party Licenses. If, during the Term and after consultation with Hutchison, AstraZeneca enters into an agreement with a Third Party in order to obtain a royalty bearing license under any Patent Right of a Third Party that, in AstraZeneca's reasonable judgment, would be necessary for the Development, Manufacture or Commercialization of the Collaboration Compound or Collaboration Product in the Field in the Territory (a "**New Third Party License**"), then AstraZeneca shall be entitled, on a Collaboration Product-by-Collaboration Product and country-by-country basis, to credit against any royalty payable to Hutchison under Section 5.3.1 or 5.3.2 [**] of any royalty (but no other payments) (the "**Hutchison Portion**") actually paid by or on behalf of AstraZeneca to such Third Party as a result of such sale; provided, however, that in no event shall any royalty payable to Hutchison be reduced as a result of this Section 5.6.1 by more than [**] of the amount otherwise due to Hutchison with respect to such sale. In addition, any such Hutchison Portion shall not reduce the amounts due to Hutchison under Section 5.3 in any Calendar Quarter by more than [**] of the amounts otherwise due. Any deductions of a Hutchison Portion to which AstraZeneca is entitled under this Section 5.6.1 may be carried forward to the next Calendar Quarter until fully exhausted.

5.6.2. Sublicensing of New Third Party Licenses. Such New Third Party License shall be (a) sublicensable to the Hutchison for purposes of Hutchison conducting activities or potential activities permitted under this Agreement and for performing obligations under this Agreement and (b) assignable to Hutchison in the event of a termination of this Agreement. In the event AstraZeneca is unable to negotiate a New Third Party License that is sublicensable and assignable to Hutchison to the extent set forth above, then the Parties will meet and discuss how to proceed.

5.6.3. New Third Party Licenses Applicable only to Hutchison. If any

intellectual property rights Controlled by a Third Party are necessary or useful only for Hutchison to conduct activities or to perform obligations under this Agreement, then Hutchison shall be free to enter into a New Third Party License for such intellectual property to Develop the applicable Collaboration Product anywhere in the world, solely for purposes of obtaining Regulatory Approval for such Collaboration Product.

5.7. Development Costs.

5.7.1. Definitions. As used in this Section 5.7, the following terms shall have the following meanings.

(a) "**China Basket Study Costs**" means all Development Costs associated with the activities for the China Life Cycle Indication (3), the China Basket Study as described under Section 4.1.6 and Schedule 4.1.6.

(b) "**China Development Activities**" means (a) all Development activities relating to chemistry, manufacturing and control of the Collaboration Product and (b) all Development activities (other than Translational Research Activities) that (i) are conducted outside of China but are intended to directly support obtaining Regulatory Approval for a Collaboration Product in China, including the Phase I Clinical Trial for the Collaboration Product contemplated by the Parties on the Effective Date to be conducted in Australia, or (ii) are conducted inside of China.

(c) "**China Life Cycle Indication Costs**" means all Development Costs associated with the activities for the China Life Cycle Indications (1) and (2), the SACHI Study and Gastric Cancer Study as described under Section 4.1.6 and Schedule 4.1.6.

(d) "**China Translational Costs**" means all Translational Costs associated with Translational Research Activities that (i) are conducted outside of China but are principally related to obtaining Regulatory Approval for a Diagnostic Product in China or (ii) are conducted inside of China.

(e) "**Development Costs**" means all direct costs specifically identifiable or allocable to Development of a Collaboration Product and actually incurred by a Party or its Affiliates (it being understood that "direct costs" excludes overhead), including (a) reasonable costs of supplies and materials related to the foregoing and (b) reasonable amounts paid to Third Parties performing activities on behalf of such Party or its Affiliates, in all cases, to the extent such Development activities are specified in the Development Plan.

(f) "**Global Translational Costs**" means Translational Costs, other than China Translational Costs, associated with Translational Research Activities that are performed in support Regulatory Approval for a Diagnostic Product in the entire Territory.

(g) "**Manufacturing Costs**" means all direct costs specifically

identifiable or allocable to Manufacture of Collaboration Compound and Collaboration Product for use in China and actually incurred by a Party or its Affiliates (it being understood that "direct costs" excludes overhead), including (a) reasonable costs of supplies and materials related to the foregoing and (b) reasonable amounts paid to Third Parties performing activities on behalf of such Party or its Affiliates.

(h) "**RCC Translational Costs**" shall mean the Translational Costs which are required to detect a Met driven pathway based patient selection in the First RCC Phase III Clinical Trial or the Additional RCC Registrational Trials and which lead to the development and filing of a registration package for a diagnostic test based around the Met signalling pathway patient selection. For the avoidance of doubt, RCC Translational Costs are carved out from the costs defined in Section 5.7.1 (a)-5.7. 1(g).

(i) "**First RCC Phase III Costs**" shall mean [**], the actual amount of the costs for the First RCC Phase III Clinical Trial, such amount subject to audit by Hutchison and reconciliation pursuant to Sections 5.8.7 through 5.8.9 mutatis mutandis. First RCC Phase III Costs shall include RCC Translational Costs. For the avoidance of doubt, First RCC Phase III Costs are carved out from the costs defined in Section 5.7.1(a)-5.7.1(g).

(j) "**Additional RCC Phase III Costs**" shall mean the actual costs for any registrational trials subsequent to the First RCC Phase III Clinical Trial (including the Second RCC Phase III Clinical Trial), set out in the Development Plan and Budget, except that, in the case of the Second RCC Phase III Clinical Trial only, FTEs shall be charged using a fixed-cost model of $2m per annum prorated for part of any year, and for so long as the trial continues but in any event for no longer than 3 years from first subject in to the Second RCC Phase III Clinical Trial. Additional RCC Phase III Costs shall include RCC Translational Costs. For the avoidance of doubt, Additional RCC Phase III Costs are carved out from the costs defined in Section 5.7.1(a)-5.7.1(g).

(k) "**Shared Development Costs**" means, subject to Section 5.7.2(f), (i) all Development Costs associated with China Development Activities and (ii) all costs associated with the Manufacture of Collaboration Compound and Collaboration Product for use in China.

(l) "**Translational Costs**" means all direct costs specifically identifiable or allocable to performance of the Translational Research Activities and actually incurred by a Party or its Affiliates (it being understood that "direct costs" excludes overhead), including (a) reasonable costs of supplies and materials related to the foregoing and (b) reasonable amounts paid to Third Parties performing activities on behalf of such Party or its Affiliates, in all cases, to the extent such Translational Research Activities are specified in the Development Plan.

(m) **"Translational Costs Cap"** means, with respect to amounts owed by Hutchison in respect of the Global Translational Costs and the China Translational Costs pursuant to Section 5.7.3. an aggregate amount equal to [**].

5.7.2. Allocation of Development Costs.

(a) Subject to Sections 5.7.2(c), 5.7.2(d), 5.7.2(e), 5.7.2(f) and 5.7.2(f), Hutchison shall be responsible for paying [**] of the Shared Development Costs, and AstraZeneca shall be responsible for paying [**] of the Shared Development Costs.

(b) [**].

(c) Hutchison shall be responsible for (i) the First RCC Phase III Costs; (ii) the [**] of the costs of the Additional RCC Phase III Costs; and (iii) [**] of the Additional RCC' Phase III Costs provided always that: (aa) AstraZeneca shall track and calculate all such Additional RCC Phase III Costs incurred by it which shall be determined in accordance with IFRS and AstraZeneca shall keep a complete and accurate record of all such costs; (bb) within thirty (30) days after the end of each Calendar Quarter, AstraZenec a shall submit **to** Hutchison a report setting forth in reasonable detail the Additional RCC Phase III Costs incurred by it during such Calendar Quarter, with an allocation of such costs between the Parties consistent with Articles 5.7.2(c) and 5.7.2(d) (hereafter, "Quarterly Cost Report"), along with such supporting documentation as Hutchison may reasonably request. The Quarterly Cost Report shall include the latest estimates of development budget spending for the Additional RCC Registrational Trial based on the spend to date including analysis of actual spend and projected remaining amounts to be spent under such trial; (cc) Hutchison shall reimburse AstraZeneca for Hutchison's allocation of the Additional RCC Phase III Costs within 30 days of receiving the Quarterly Cost Report; and (dd) AstraZeneca shall provide Hutchison with such appropriate documentation to support the Quarterly Cost Report upon reasonable request from Hutchison. although any such request by Hutchison for additional documentation shall not delay or postpone Hutchison's obligation under (cc) to reimburse AstraZeneca within 30 days of receiving the Quarterly Cost Report.

(d) AstraZeneca shall be responsible for the [**] of the Additional RCC Phase III Costs referenced in Section 5.7.2(c).

(e) [**]

[**]

(f) Hutchison shall be initially responsible for the China Life Cycle Indication Costs incurred on or before the Cut-off Date and, in the event that AstraZeneca:

(i) [**]

(ii) [**]

(g) Hutchison shall be responsible for paying [**] of all China Basket Study Costs. After the exploratory phase of the China Basket Study is complete, and subject to the data on this exploratory phase of China Basket Study, Hutchison will then come back to the JSC to seek approval for a Phase II study for the China Basket Study. If the Phase II study for the China Basket Study is approved by the JSC, the Development Costs relating to the Phase II study will be shared in accordance with Section 5.7.2(f) of this Agreement relating to China Life Cycle Indications.

(h) [**]

5.7.3. Allocation of Translational Costs.

(a) Subject to Section 5.7.3(c), and Section 5.7.2(c) and 5.7.2(d) Hutchison shall be responsible for paying [**] of Global Translational Costs, and AstraZeneca shall be responsible for paying [**] of Global Translational Costs.

(b) Subject to Section 5.7.3(c), Hutchison shall be responsible for

paying [**] of China Translational Costs, and AstraZeneca shall be responsible for paying [**] of China Translational Costs.

(c) Subject to Sections 5.7.2(c) and 5.7.2(d), notwithstanding anything to the contrary contained herein, in no event shall Hutchison be obligated to make any out-of-pocket payments under Section 5.7.3(a) or 5.7.3(b) for the performance of Translational Research Activities that exceed, in the aggregate, the Translational Cost Cap. Any amounts owed by Hutchison under such provisions that exceed the Translational Cost Cap, except for the RCC Translational Costs, may be deducted from the next applicable payment owed by AstraZeneca to Hutchison under Section 5.2.1 or 5.2.2; provided, however, that any such deduction shall not reduce the amounts due to Hutchison under Section 5.2.1 or 5.2.2 in any Calendar Quarter by more than [**] of the amounts otherwise due. Any deductions to which AstraZeneca is entitled under this Section 5.7.3(c) may be carried forward until fully exhausted.

5.7.4. Costs outside the Development Plan. [**].

5.8. Reports and Payments.

5.8.1. Royalty Reports. Within [**] days after the end of each Calendar Quarter beginning with the Calendar Quarter in which the First Commercial Sale is made in a country following receipt of Regulatory Approval in such country, AstraZeneca shall deliver to Hutchison a report setting forth for the previous Calendar Quarter the following information on a Collaboration Product-by-Collaboration Product basis: (a) the Net Sales of each Collaboration Product in each country, (b) the number of units sold by Hutchison, its Affiliates or Sublicensees, (c) the basis for any adjustments to the royalty payable for the sale of each Collaboration Product, (d) the royalty due hereunder for the sales of each Collaboration Product, and (e) the applicable exchange rate as determined in accordance with this Agreement. The total royalty due for the sale of Collaboration Products during such Calendar Quarter shall be remitted at [**]. No such reports shall be due for any Collaboration Product after the relevant Royalty Period for such Collaboration Product has expired.

5.8.2. Withholding Tax.

(a) [**]

[**].

(b) [**].

(c) [**].

(d) [**]

[**].

(e) [**].

(f) [**].

(g) [**].

(h) AstraZeneca represents and warrants that (i) it is resident in Sweden for tax purposes, and (ii) it is the beneficial owner of the payments which it is due to receive under this Agreement.

5.8.3. Indirect Taxes. Notwithstanding anything contained in Section 5.8.2, this Section 5.8.3 shall apply with respect to Indirect Taxes. All payments under this Agreement are stated exclusive of Indirect Taxes. If any Indirect Taxes are chargeable in respect of any Payments, the remitting Party shall pay Indirect Taxes at the applicable rate in respect of any such Payments following the receipt of an Indirect Taxes invoice in the appropriate form issued by receiving Party in respect of those payments, such Indirect Taxes to be payable on the later of the due date of the payment to which such Indirect Taxes relates and sixty (60) days after the receipt by the remitting Party of the applicable invoice relating to that Indirect Taxes payment. The Parties

shall issue invoices for all goods and services supplied under this Agreement consistent with Indirect Taxes requirements and irrespective of whether the sums may be netted for settlement purposes.

5.8.4. Currency. All amounts payable and calculations hereunder shall be in United States dollars. As applicable, Net Sales and any royalty deductions shall be translated into United States dollars in accordance with the paying Party's customary and usual currency conversion procedures, consistently applied. If, due to restrictions or prohibitions imposed by national or international authority, payments cannot be made as provided in this Section 5, the Parties shall consult with a view to finding a prompt and acceptable solution, and the paying Party shall deal with such monies as the other Party may lawfully direct at no additional out-of-pocket expense to the paying Party.

5.8.5. Method of Payment. Except as permitted pursuant to Section 5.8.4, each payment hereunder shall be made by electronic transfer in immediately available funds via a bank wire transfer, an automated clearing house (ACH) mechanism or any other means of electronic funds transfer, at the paying Party's election, to the bank account designed by the Party receiving payments under this Section 5 in writing to the paying Party at least thirty (30) days before the payment is due.

5.8.6. Record Keeping. AstraZeneca shall keep, and shall causes its Affiliates and Sublicensees to keep, books and accounts of record in connection with the Additional RCC Phase III Costs and the sale of Collaboration Products, including records of gross invoiced sales, Net Sales, exchange rates and royalty payments (collectively, the "Financial Records"), in accordance with IFRS or GAAP (as appropriate) and in sufficient detail to permit accurate determination of all figures necessary for verification of the Additional RCC Phase III Costs and royalties and Sales Milestone payments to be made by AstraZeneca under this Section 5. AstraZeneca and its Affiliates and Sublicensees shall maintain such records for a period of (i) at least three (3) years after the end of the Calendar Quarter in which they are generated or (ii) in the case of Additional RCC Phase III Costs, for one year after the end of such trial.

5.8.7. Audits. Upon thirty (30) days prior written notice from Hutchison, AstraZeneca shall permit an independent certified public accounting firm of nationally recognized standing selected by Hutchison and reasonably acceptable to AstraZeneca, to examine, at Hutchison's sole expense, the relevant Financial Records of AstraZeneca and its Affiliates and Sublicensees as may be reasonably necessary to verify the amounts reported by AstraZeneca in accordance with Sections 5.8.1 and 4.1.6(b)(1) and the royalties and Sales Milestone payments made by AstraZeneca in accordance with this Section 5 and the Additional RCC Phase III Costs. Hutchison shall be entitled to conduct an audit in accordance with this Section 5.8.7 not more than once in any Calendar Year and such audit shall be limited to the pertinent Financial Records from any Calendar Year (i) ending not more than three (3) years prior to the date of the request; or (ii) in the case of audit of the Additional RCC Phase III Costs, from the commencement of the Additional RCC Registrational Trial. The accounting firm shall be provided access to such Financial Records at AstraZeneca's facility(ies) where such Financial Records are normally kept and such audit shall be conducted during Astra Zeneca's normal business hours. Upon completion of the audit, the accounting firm shall provide both Parties with a written report disclosing any discrepancies in the reports submitted by AstraZeneca or payments made by AstraZeneca or reimbursements of costs

made by Hutchison, if any, and in each case, the specific details concerning any discrepancies. Any information provided by AstraZeneca to the accounting firm and the written report of the accounting firm shall be the Confidential Information of AstraZeneca.

5.8.8. Underpayments/Overpayments. If a report of an independent public accounting firm submitted to the Parties in accordance with Section 5.8.7 shows any underpayment of royalties and Sales Milestone payments due under this Section 5 or overpayment by Hutchison of any Additional RCC Phase III Costs owed to AstraZeneca under Section 5.7, AstraZeneca shall remit to Hutchison within [**] days after receipt of such report by AstraZeneca, (a) the amount of such underpayment or overpayment, as applicable and (b) if such underpayment exceeds [**] of the total amount owed to Hutchison for the Calendar Year then being audited or if such overpayment exceeds [**] of the total amount of Additional RCC Phase III Costs actually owed by Hutchison under Section 5.7 for the Calendar Year then being audited the reasonable fees and expenses of such independent public accounting firm performing the audit, subject to reasonable substantiation thereof. If such independent public accounting firm's written report shows any overpayment of royalties and Sales Milestone payments due under this Section 5, AstraZeneca shall receive a credit equal to such overpayment against the royalties and Sales Milestone payments due under this Section 5 otherwise payable to Hutchison.

5.8.9. Interest. Any payment under this Section 5 that is more than [**] days past due shall be subject to interest at an annual percentage rate of the Prime Rate (as published in the "Money Rates" table of the Eastern Edition of The Wall Street Journal during period such amount is overdue) plus [**] if Hutchison does not make payment within [**] days of its receipt of notice that such amount is past due. Likewise, any overpayment that is not refunded within [**] days after the date such overpayment was made shall thereafter be subject to interest at an annual percentage rate of the Prime Rate (as published in the "Money Rates" table of the Eastern Edition of The Wall Street Journal during the period such amount is overdue) plus [**]; provided, however, that if the overpayment is due to errors in reports provided by AstraZeneca, such interest shall accrue from the date the overpayment was made. Notwithstanding the preceding, if a Party contests any amounts due hereunder in good faith and promptly notifies the other Party of such dispute, interest shall not accrue as to amounts being so contested until [**] days following the presentation of such notice to the other Party.

6. COVENANTS.

6.1. Confidentiality.

6.1.1. Confidential Information. Except to the extent expressly permitted by this Agreement and subject to the provisions of Sections 6.1.2 and 6.1.3, at all times during the Term and for five (5) years following the expiration or termination hereof, each Party (the "**Receiving Party**") receiving any Confidential Information of the other Party (the "**Disclosing Party**") in connection with this Agreement shall: (a) keep completely confidential and shall not publish or otherwise disclose any Confidential Information furnished to it by the Disclosing Party, except to those of the Receiving Party's employees, Affiliates, consultants or representatives who have a need to know such information (collectively, "**Recipients**") to perform such Party's obligations or exercising its rights hereunder and (b) shall not use Confidential Information of the

Disclosing Party directly or indirectly for any purpose other than performing its obligations or exercising its rights hereunder. The Receiving Party shall be liable for any breach by any of its Recipients of the restrictions set forth in this Agreement. Notwithstanding the foregoing, in no event, except as permitted under Section 6.1.3, shall Hutchison disclose any Confidential Information relating to the Collaboration Compound or Collaboration Product to any party that becomes an Affiliate of Hutchison as a result of a Change of Control without the prior written consent of AstraZeneca.

6.1.2. Exceptions to Confidentiality. The Receiving Party's obligations set forth in this Section shall not extend to any Confidential Information of the Disclosing Party:

(a) that is or hereafter becomes part of the public domain through no wrongful act, fault or negligence on the part of a Receiving Party or its Recipients;

(b) that is received from a Third Party without restriction and without breach of any agreement or fiduciary duty between such Third Party and the Disclosing Party;

(c) that the Receiving Party can demonstrate by competent evidence was already in its possession without any limitation or restriction on use or disclosure prior to its receipt from the Disclosing Party;

(d) that is generally made available to Third Parties by the Disclosing Party without any restriction imposed by the Disclosing Party on disclosure, whether such restriction is by contract, fiduciary duty or by operation of law; or

(e) that the Receiving Party can demonstrate by competent evidence was independently developed by the Receiving Party without any reference to Confidential Information.

6.1.3. Authorized Disclosure. Notwithstanding the provisions of Section 6.1.1, the Receiving Party and its Recipients may disclose Confidential Information belonging to the Disclosing Party to the extent that such disclosure is reasonably necessary to:

(a) Prosecute or defend litigation;

(b) Comply with applicable governmental laws and regulations (including applicable law, rule or regulation or the requirements of a national securities exchange or another similar regulatory body);

(c) Make filings and submissions to, or correspond or communicate with, any Government Authority.

In the event that the Receiving Party or its Recipients, as applicable, deem it reasonably necessary to disclose Confidential Information belonging to the Disclosing Party pursuant to this Section 6.1.3, the Receiving Party shall, to the extent possible, provide the Disclosing Party with reasonable advance notice of such disclosure and take reasonable measures (including for

example, where appropriate, the filing of a redacted copy of this Agreement approved by both Parties) to ensure confidential treatment of such information. In addition, the Receiving Party may disclose Confidential Information belonging to the Disclosing Party to any Third Party who is performing diligence in connection with a transaction with the Receiving Party (including potential Sublicensees and licensees) and to any Third Party performing work contemplated by this Agreement; provided that, each such Third Party has signed a written confidentiality agreement with the Receiving Party that is no less restrictive than the terms hereof.

6.1.4. Notification. The Receiving Party shall notify the Disclosing Party immediately, and cooperate with the Disclosing Party as the Disclosing Party may reasonably request, upon the Receiving Party's discovery of any loss or compromise of the Disclosing Party's Confidential Information.

6.1.5. Destruction of Confidential Information. Upon the expiration or earlier termination of this Agreement, except with respect to Confidential Information necessary or useful for a Receiving Party to exercise any rights or perform any obligations under this Agreement surviving such expiration or termination, the Receiving Party shall (a) destroy all tangible embodiments of Confidential Information of the Disclosing Party, including any and all copies thereof, and those portions of any documents, memoranda, notes, studies and analyses prepared by the Receiving Party or its Recipients that contain, incorporate or are derived from such Confidential Information and provide written certification of such destruction to the Disclosing Party in a form reasonably acceptable to the Disclosing Party, provided that the legal department of the Receiving Party shall have the right to retain one (1) copy of any such tangible embodiments for archival purposes, provided such copy shall continue to be maintained on a confidential basis subject to the terms of this Agreement, and (b) immediately cease, and shall cause its Recipients to cease, use of such Confidential Information as well as any information or materials that contain, incorporate or are derived from such Confidential Information.

6.1.6. Use of Name and Disclosure of Terms. Each Party shall keep the existence of, the terms of and the transactions covered by this Agreement confidential and shall not disclose such information to any Third Party through a press release or otherwise, or mention or otherwise use the name, insignia, symbol, trademark, trade name or logotype of the other Party or its Affiliates in any manner without the prior written consent of the other Party in each instance (which shall not be unreasonably withheld); provided, however, that a Receiving Party may disclose such information without the prior consent of the Disclosing Party to any Third Party who is performing diligence in connection with a transaction with such Receiving Party (including potential Sublicensees and licensees) so long as each such Third Party has signed a written confidentiality agreement with such Receiving Party no less restrictive than the terms hereof. The restrictions imposed by this Section 6.1.6 shall not prohibit either Party from making any disclosure that is required by applicable law, rule or regulation or the requirements of a national securities exchange or another similar regulatory body, including disclosing such information in any clinical trial database maintained by or on behalf of a Party, or that is expressly permitted under this Agreement. Further, the restrictions imposed on each Party under this Section 6.1.6 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications, provided that any Confidential Information in such communications remains subject to this Section 6.1.6.

6.1.7. Remedies. The Parties acknowledge and agree that the restrictions set forth in Section 6.1 are reasonable and necessary to protect the legitimate interests of the Parties and that neither Party would have entered into this Agreement in the absence of such restrictions, and that any breach or threatened breach of any provision of Section 6.1 will result in irreparable injury to the other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of Section 6.1 by a Party, the other Party shall be authorized and entitled to obtain from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific performance and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such Party may be entitled in law or equity. The breaching Party agrees to waive any requirement that the non-breaching Party (a) post a bond or other security as a condition for obtaining any such relief and (b) show irreparable harm, balancing of harms, consideration of the public interest or inadequacy of monetary damages as a remedy. Nothing in this Section 6.1.7 is intended, or shall be construed, to limit the Parties' rights to equitable relief or any other remedy for a breach of any provision of this Agreement.

6.2. Compliance with Law. Each Party hereby covenants and agrees to comply with all laws applicable to its activities connected with the Development, Manufacture and Commercialization (as applicable) of Collaboration Products. Without limiting the generality of the foregoing:

6.2.1. Patient Information. Each Party agrees to abide by all laws, rules, regulations, and orders of all applicable supranational, national, federal, state, provincial, and local governmental entities concerning the confidentiality or protection of patient identifiable information or patients' protected health information in the course of their performance under this Agreement.

6.2.2. Export Controls. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States or other countries which may be imposed upon or related to Hutchison or AstraZeneca from time to time. Each Party agrees that it shall not export, directly or indirectly, any technical information acquired from the other Party pursuant to this Agreement or any Collaboration Products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity.

6.2.3. Debarment. Each Party agrees that it shall not knowingly use, in any capacity, in connection with any of its obligations to be performed under this Agreement any individual who has been disqualified or debarred by the United States Food and Drug Administration, pursuant to 21 U.S.C. §§ 335(a) or (b), or been charged with or convicted under United States law for conduct relating to the development or approval, or otherwise relating to the regulation of Collaboration Product under the Generic Drug Enforcement Act of 1992, or any other relevant law, rule, or regulation or been disbarred, disqualified, or convicted under or for any equivalent or similar applicable foreign law, rule, or regulation.

6.3. Anti-Corruption Laws.

6.3.1. Compliance with Anti-Corruption Law. In carrying out their responsibilities under this Agreement, the Parties shall comply with all applicable anti-corruption laws in the countries where the Parties have their principal or other places of business and where they conduct activities under this Agreement. Additionally, the Parties understand and agree to comply with the U.S. Foreign Corrupt Practices Act of 1977 ("**US Act**") and the UK Bribery Act of 2010 ("**UK Act**"), in each case as revised, which in the case of the US Act generally prohibits the promise, payment or giving of anything of value either directly or indirectly to any government official for the purpose of obtaining or retaining business or any improper advantage, and in the case of the UK Act includes the prohibition on the making of any bribe to a foreign public official with the intention of influencing such person in order to obtain or retain business or an advantage in the conduct of business. For purposes of this section, (a) "government official" means any official, officer, representative, or employee of, including any doctor employed by, any non-U.S. government department, agency or instrumentality (including any government-owned or controlled commercial enterprise), or any official of a public international organization or political party or candidate for political office; and (b) "foreign public official" means an individual who holds a legislative, administrative or judicial position of any kind, whether appointed or elected, of a country or territory outside the United Kingdom (or any subdivision of such a country or territory); exercises a public function (i) for or on behalf of a country or territory outside the United Kingdom (or any subdivision of such a country or territory), or (ii) for any public agency or public enterprise of that country or territory (or subdivision); or is an official or agent of a public international organization.

6.3.2. Certain Covenants regarding Anti-Corruption. Additionally, each Party represents and warrants to the other Party that neither it nor any of its, directors, employees, agents, consultants (or any other person who may be associated with a Party for the purposes of the UK Act) will directly or indirectly pay or give or promise to pay or give anything of value to any government official or a foreign public official for purposes of (a) influencing any act or decision of any such person in his official capacity; (b) inducing such person to do or omit to do any act in violation of the lawful duty of such official; (c) securing any improper advantage; or (d) inducing such person to use his position to affect or influence any act or decision of government or any legislative, administrative, public agency or other public body with respect to any activities undertaken relating to this Agreement. Additionally, the Parties will make reasonable efforts to comply with requests for information, including answering questionnaires and narrowly tailored audit inquiries, to enable the other Party to ensure compliance with any applicable anti-corruption laws.

6.3.3. Breach of Anti-Corruption Covenants. The Parties agree that a breach of the anti-corruption commitments in Section 6.3 shall be considered a material breach of this Agreement and that either Party may immediately seek all remedies available under law and equity including termination of this Agreement pursuant to Section 10.3.1 if it believes, in good faith, that the covenants under the anti-corruption commitments in this Section 6.3 have been breached by the other Party, without owing to the other any damages or indemnification resulting solely from such termination.

6.4. Exclusivity.

6.4.1. Scope of Exclusivity. Each Party agrees that, from the Effective Date

until the earlier of (x) [**] and (y) the date that is [**] years after the Effective Date (the "Exclusivity Period"), the following restrictions shall apply:

(a) Neither Party nor its Affiliates or Sublicensees shall,directly or indirectly, Develop, Manufacture or Commercialize any Collaboration Compound, except as set forth in the Development Plan or as otherwise set forth herein.

(b) Except as expressly permitted under this Section 6.4, neither Party shall develop, manufacture or commercialize any Agreement Compound, independently or for or with any of its Affiliates or any Third Party (including through the grant of any license to any Third Party); provided, however, [**]. For the avoidance of doubt, in no event shall either Party conduct any Clinical Trial of any Agreement Compound, including any Back-Up Compound, without the prior written consent of the other Party.

6.4.2. Acquisition of Agreement Compound. A Party will not be deemed to be in breach of the restrictions set forth in Section 6.4.1(b) if such Party or any of its Affiliates acquires, through an acquisition of or a merger with the whole or substantially the whole of the business or assets of another Person, an Agreement Compound that such Person is developing in the clinic, manufacturing or commercializing, independently or for or with any of its Affiliates or any Third Party (including though the grant of a license to any Third Party) (such activities, the "Restricted Activities"), so long as such Party (or its Affiliate) [**]. As used in this Section 6.4.2, the following terms shall have the following meanings.

(a) "**Hold Separate Transaction**" means any "hold separate" transaction (whether through the establishment of a trust or otherwise) involving the proposed sale of an Agreement Compound pursuant to an agreement with any Government Authority responsible for antitrust laws.

(b) "**Divest**" or "**Divestiture**" means, with respect to any Agreement Compound, (i) the sale, exclusive license or other transfer of all of the right, title and interest in and to such Agreement Compound, including all technology, intellectual property and other assets relating solely thereto, to an independent Third Party, without the retention or reservation of any rights, license or interest (other than customary residual rights in the event of a termination) in such Agreement Compound and (ii) the complete shutdown of the Agreement Compound such that no technology, intellectual property or other asset relating thereto is used by the applicable Party or its Affiliates and delivery of written confirmation from such Party to the other Party that such Party and its Affiliates covenant not to use any technology, intellectual

property and assets solely relating to such Agreement Compound during the Exclusivity Period.

6.4.3. Breach of Exclusivity. If, at any time during the Exclusivity Period, a Party is in breach of the restrictions set forth in Section 6.4.1(b), then the other Party shall have the right to terminate this Agreement immediately upon providing written notice of such termination, in which case the effects of termination set forth in Section 10.4.2 shall apply.

6.5. Change of Control.

6.5.1. Notice. In the event of any Change of Control that occurs during the Term, Hutchison shall notify AstraZeneca promptly thereof, but in no event later than [**] Business Days following execution of the definitive agreement contemplating the transaction that would constitute such Change of Control. Upon receipt of such notice, AstraZeneca shall have the right, by submitting written notice to Hutchison no later than [**] days after the closing of such Change of Control (such notice, the "**COC Amendment Notice**"), to amend this Agreement in accordance with the terms and conditions set forth in Sections 6.5.2 and 6.5.3 (such amendment, a "**COC Amendment**"). In the event that AstraZeneca submits a COC Amendment Notice, the Parties will enter into an appropriate and customary written amendment reflecting the terms and conditions set forth in Sections 6.5.2 and 6.5.3.

6.5.2. Change of Control before [**]. Where a Change of Control occurs at any time prior [**], any COC Amendment shall contain the following terms:

(a) [**]

(b) [**]

(c) [**]

[**]

(d) [**]

(e) [**]

(f) [**]

(g) [**]

(h) [**]

6.5.3. Change of Control after [**]. Where a Change of Control occurs at any time after the [**], any COC Amendment shall contain the following terms:

(a) Hutchison shall, and hereby does, assign to AstraZeneca all right, title and interest in and to: (i) Hutchison Patent Rights and Joint Patent Rights, all Regulatory Submissions and Regulatory Approvals Controlled by Hutchison or any Affiliate pertaining to Collaboration Compound, Collaboration Product and Diagnostic Products in the Field in the Territory and (ii) all of [**];

(b) [**]

(c) [**]

(d) [**]

(e) [**]

(f) [**]

(g) [**]

(h) [**]

6.6. Non-Solicitation. During the Term, neither Party nor any of its Affiliates shall, directly or indirectly, anywhere in the Territory solicit for employment, any person engaged in the Development, Manufacture or Commercialization of any Collaboration Compound or Collaboration Product employed by either Party or their Affiliates, during the period such person is so employed or for [**] after termination of such person's employment provided that such restriction shall not apply in the case where such employee responds to an advertisement of employment made by either Party in the normal course of their business.

7. REPRESENTATIONS AND WARRANTIES.

7.1. Representations and Warranties of Each Party. As of the Effective Date, each of AstraZeneca and Hutchison hereby represents and warrants to the other Party hereto as follows:

7.1.1. it is a corporation or entity duly organized and validly existing under the laws of the state or other jurisdiction of its incorporation or formation;

7.1.2. the execution, delivery and performance of this Agreement by such Party has been duly authorized by all requisite corporate action and does not require any shareholder action or approval;

7.1.3. it has the power and authority to execute and deliver this Agreement and to perform its obligations hereunder;

7.1.4. the execution, delivery and performance by such Party of this Agreement and its compliance with the terms and provisions does not and shall not conflict with or result in a breach of any of the terms and provisions of or constitute a default under (i) a loan agreement, guaranty, financing agreement, agreement affecting a product or other agreement or instrument binding or affecting it or its property; (ii) the provisions of its charter or operative documents or bylaws; or (iii) any order, writ, injunction or decree of any court or governmental authority entered against it or by which any of its property is bound; and

7.1.5. it has the full right, power and authority to grant all of the right, title and interest in the licenses granted to the other Party under this Agreement.

7.2. Additional Representations and Warranties of Hutchison. Hutchison hereby represents and warrants to AstraZeneca that as of the Effective Date:

7.2.1. Hutchison, together with its Affiliates, is the sole and exclusive owner of, and has the sole right, title and interest in and to, the Hutchison Patent Rights and the Hutchison Know-How, in each case free and clear of any mortgage, pledge, claim, security interest, covenant, easement, encumbrance, lien, lease, sublease, option, or charge of any kind, limitations on transfer or any subordination arrangement in favor of a Third Party;

7.2.2. All of the Hutchison Patent Rights listed on Schedule 1.49 are in force or pending and have not been abandoned as of the Effective Date, and to Hutchison's knowledge, all such Hutchison Patent Rights are valid and enforceable;

7.2.3. No Third Party has challenged or has threatened in writing to challenge the extent, validity or enforceability of the patents encompassed within the Hutchison Technology relating to the Collaboration Compound (including, by way of example, through the institution or written threat of institution of interference, nullity or similar invalidity proceedings before the US Patent and Trademark Office or any analogous foreign entity), and to the knowledge of Hutchison, all application, registration, maintenance and renewal fees in respect of Hutchison Patent Rights have been paid and all documents and certificates required to be filed with the relevant agencies for the purpose of maintaining such Hutchison Patent Rights have been filed;

7.2.4. Neither Hutchison nor any of its Affiliates has granted any license, option or other rights of any kind to or in favor of a Third Party under the Hutchison Technology;

7.2.5. There is no intellectual property right, and in particular no Patent Right, owned or Controlled by Hutchison or its Affiliates other than the Hutchison Technology, that is

necessary for AstraZeneca or its Affiliates and subcontractors to Develop a Collaboration Compound as set forth herein;

7.2.6. To Hutchison's knowledge, the manufacture, use, sale, offer for sale and importation of the Collaboration Compound in the Field in the Territory, in the form in which it is being Developed by Hutchison as of the Effective Date, does not infringe any Patent Rights of a Third Party;

7.2.7. There are no claims, judgments or settlements pending against Hutchison or its Affiliates with respect to any Hutchison Technology, and Hutchison has not received notice that any such claims, judgments or settlements are threatened; and

7.2.8. All employee inventions relevant to the rights granted to AstraZeneca under this Agreement have been duly transferred to Hutchison or its Affiliates in accordance with Applicable Law or Hutchison has entered into binding agreements permitting such a transfer; and

7.2.9. Hutchison has heretofore disclosed or made available to AstraZeneca all material scientific and technical information and all material information relating to safety and efficacy known to it or its Affiliates with respect to the Collaboration Compound and has made available to AstraZeneca complete and accurate copies of all material documentation and correspondence submitted to or received from any Regulatory Authority with respect to the Collaboration Compound.

7.3. Representation by Legal Counsel. Each Party hereto represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in the drafting. In interpreting and applying the terms and provisions of this Agreement, the Parties agree that no presumption shall exist or be implied against the Party which drafted such terms and provisions.

7.4. No Inconsistent Agreements. Neither Party has in effect and after the Effective Date neither Party shall enter into any oral or written agreement or arrangement that would be inconsistent with its obligations under this Agreement or limit the ability of either Party to grant the licenses set forth in Section 2 of this Agreement.

7.5. Disclaimer. THE FOREGOING WARRANTIES OF EACH PARTY ARE IN LIEU OF ANY OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF NONINFRINGEMENT, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE ALL OF WHICH ARE HEREBY SPECIFICALLY EXCLUDED AND DISCLAIMED. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE DEVELOPMENT, MANUFACTURE OR COMMERCIALIZATION OF ANY PRODUCT UNDER THIS AGREEMENT WILL BE SUCCESSFUL.

8. INTELLECTUAL PROPERTY.

8.1. Disclosure. During the Term, the Parties shall promptly disclose to one another all Collaboration Know-How (whether patentable or not).

8.2. Ownership.

8.2.1. Ownership of Technology. Determinations as to which Party has Invented any Patent Right or Know-How shall be made in accordance with the standards of inventorship under the patent laws of the United States. Subject to the license grants under Section 2 of this Agreement, as between the Parties, [**]. Neither Party shall take any action that would limit the other Party's right to exercise its rights under Section 2.4. In the event inventorship and ownership of any Collaboration Technology cannot be resolved by the Parties with advice of their respective intellectual property counsel, such dispute shall be resolved through the dispute resolution mechanism set forth in Section 12.1.

8.2.2. Employee Assignment. To the extent permissible under Applicable Laws, each Party will cause each employee and contractor conducting work on such Party's behalf under this Agreement to sign a contract that (a) compels prompt disclosure to the Party of all Hutchison Technology, AstraZeneca Technology, and Joint Technology, as applicable, conceived or reduced to practice by such employee or contractor during any performance under this Agreement, (b) automatically assigns to the Party all right, title and interest in and to all such Technology and all Patent Rights disclosing or claiming such Technology and (c) obligates such persons to similar obligations of confidentiality as set forth in this Agreement. Each Party will require each employee and contractor conducting work on such Party's behalf under this Agreement to maintain records in sufficient detail and in a good scientific manner appropriate for patent purposes to properly reflect all work done. Each Party shall be responsible for the payment of any remuneration due to employees under any Applicable Law which provides compensation to such employee inventors.

8.3. JIPC. The JIPC shall, from time to time, review and discuss the patent strategy for inventions made in the course of the Development and to coordinate patent strategy relating to the Collaboration Patent Rights, to the extent such Collaboration Patent rights are necessary or useful to Manufacture, Develop or Commercialize a Collaboration Compound or Collaboration Product.

8.4. Filing, Prosecution and Maintenance of Patent Rights.

8.4.1. Hutchison Patent Rights. AstraZeneca shall be responsible, at its sole cost and expense, for the preparation, filing and prosecution and maintenance of the Hutchison Patent Rights in the Territory. If AstraZeneca or its Affiliates use any of its employees to conduct any preparation, prosecution or maintenance activity under this Agreement, then neither AstraZeneca nor any Affiliate shall be liable to Hutchison in respect of any act or omission in undertaking such activity. In the event external counsel are used then no such exclusion of liability shall apply. AstraZeneca shall keep Hutchison advised on the status of preparation, filing, prosecution and maintenance of all patent applications included within the Hutchison Patent Rights and the maintenance of any issued patents within the Hutchison Patent Rights. Further, AstraZeneca shall consult and reasonably cooperate with Hutchison with respect to the preparation, filing, prosecution and maintenance of all Hutchison Patent Rights, including: (a) allowing Hutchison a reasonable opportunity and reasonable time to review and comment regarding relevant

material communications and drafts of any material responses or proposed filings by AstraZeneca before any applicable filings are submitted to any relevant patent office or Government Authority and (b) reflecting any reasonable comments offered by Hutchison in any final filings submitted by AstraZeneca to any relevant patent office or Governmental Authority.

8.4.2. AstraZeneca Patent Rights. AstraZeneca shall have the sole and exclusive right to prepare, file, prosecute and maintain the AstraZeneca Patent Rights in the Territory, in its sole discretion.

8.4.3. Joint Patent Rights. AstraZeneca shall be responsible, at its sole cost and expense, for the preparation, filing and prosecution and maintenance of the Joint Patent Rights in the Territory. If AstraZeneca or its Affiliates use any of its employees to conduct any preparation, prosecution or maintenance activity under this Agreement, then neither AstraZeneca nor any Affiliate shall be liable to Hutchison in respect of any act or omission in undertaking such activity. In the event external counsel are used no such exclusion of liability shall apply. AstraZeneca shall keep Hutchison advised on the status of preparation, filing, prosecution and maintenance of all patent applications included within the Joint Patent Rights and the maintenance of any issued patents within the Joint Patent Rights. Further, AstraZeneca shall consult and reasonably cooperate with Hutchison with respect to the preparation, filing, prosecution and maintenance of all Joint Patent Rights, including: (a) allowing Hutchison a reasonable opportunity and reasonable time to review and comment regarding relevant material communications and drafts of any material responses or proposed filings by AstraZeneca before any applicable filings are submitted to any relevant patent office or Government Authority and (b) reflecting any reasonable comments offered by Hutchison in any final filings submitted by AstraZeneca to any relevant patent office or Governmental Authority.

8.4.4. Reversion Rights. If AstraZeneca decides not to file, prosecute or maintain any Patent Right under Section 8.4.1 or 8.4.3, it shall give Hutchison reasonable notice to that effect sufficiently in advance of any deadline for any filing with respect to such Patent Right so as to permit Hutchison to carry out such activity. Upon delivery of such notice, Hutchison shall have the right to file, prosecute and maintain such Patent Right, and AstraZeneca shall perform such acts as may be reasonably necessary for Hutchison to file, prosecute or maintain such Patent Right, at Hutchison's sole cost and expense. If Hutchison does so elect, then AstraZeneca shall provide such cooperation to Hutchison, including the execution and filing of appropriate instruments, as may reasonably be requested to facilitate the transition of such patent activities, and shall assign all of its right, title and interest to such Patent Right to Hutchison. Any such Patent Right abandoned by AstraZeneca under Section 8.4.1 or 8.4.3 shall be deemed to be excluded from the Hutchison Patent Rights or Joint Patent Rights, as applicable, and shall thereafter cease to be included within the scope of the licenses granted to AstraZeneca under Section 2.

8.4.5. Patent Term Extensions. The Parties shall cooperate, if necessary and appropriate, with each other in gaining patent term extensions, including supplementary protection certificates and any other extensions that are now or become available in the future wherever applicable to Patent Rights that are applicable to the Collaboration Products. The Parties shall, if necessary and appropriate, use reasonable efforts to agree upon a joint strategy relating to patent term extensions, but, in the absence of mutual agreement with respect to any extension issue, a Patent Right shall be extended only as and if AstraZeneca elects to extend such Patent Right. All

filings for such extension shall be made by AstraZeneca.

8.4.6. Orange Book Listing. Hutchison shall, at AstraZeneca's expense and upon AstraZeneca's reasonable request, (a) provide all necessary or reasonably useful information to enable AstraZeneca to make filings with Regulatory Authorities with respect to Hutchison Patent Rights or Joint Patent Rights as required (i) in the United States for the FDA's Orange Book and (ii) outside the United States under other international equivalents and (b) shall cooperate with AstraZeneca in connection therewith, including meeting any submission deadlines.

8.4.7. Costs and Expenses. [**].

8.5. Trademarks.

8.5.1. Collaboration Product Trademarks. AstraZeneca shall select and own the Trademarks for the Collaboration Products and shall be solely responsible for applying for and maintaining the registrations for the Trademarks throughout the Territory, and all goodwill associated therewith will inure to the benefit of AstraZeneca. AstraZeneca shall bear all costs of applying for and maintaining registrations for the Trademarks. AstraZeneca shall assume full responsibility, at its sole costs and expense, for prosecuting any infringement of a Trademark by a Third Party, and shall be entitled to retain all recoveries in connection therewith. AstraZeneca shall own the Trademarks, and all applications and registrations therefor.

8.6. Enforcement of Technology Rights.

8.6.1. Notice. Each Party will promptly notify the other in the event of any actual, potential or suspected infringement of a patent under the Hutchison Patent Rights or the Joint Patent Rights by any Third Party (an "Infringement").

8.6.2. Enforcement. As between AstraZeneca and Hutchison, AstraZeneca shall have the first right, except as otherwise provided in this Section 8.6.2, but not the obligation, to institute litigation or take other steps to remedy an Infringement, and any such litigation or steps shall be at AstraZeneca's expense subject to Hutchison's obligation to indemnify AstraZeneca for such expenses pursuant to Section 11.1, provided that, any recoveries resulting from such litigation or steps relating to a claim of Infringement, after deducting AstraZeneca's out of pocket expenses (including counsel fees and expenses) in pursuing such claim, will be deemed Net Sales of AstraZeneca. AstraZeneca shall have full control of such litigation or steps but shall not, without the prior written consent of Hutchison, enter into any compromise or settlement relating to such litigation that (a) admits the invalidity or unenforceability of any Hutchison Patent Right or Joint Patent Right or (b) requires AstraZeneca to abandon any Hutchison Patent Right or Joint Patent Right. In order to establish standing, Hutchison, upon request of AstraZeneca, agrees to timely commence or to join in any such litigation, at AstraZeneca's expense, and in any event to cooperate with AstraZeneca in such litigation or steps at AstraZeneca's expense. Hutchison shall have the right to consult with AstraZeneca about such litigation and to participate in and be represented by independent counsel in such litigation at Hutchison's own expense. If AstraZeneca fails to institute such litigation or otherwise take steps to remedy an Infringement of any Hutchison Patent Right or

Joint Patent Right within [**] days of its receipt of notice thereof, then Hutchison shall have the right, but not the obligation, upon [**] days' prior notice to AstraZeneca, at Hutchison's expense, to institute any such litigation and any proceeds from such litigation shall be retained by Hutchison. AstraZeneca shall, at Hutchison's expense, cooperate with Hutchison in any such litigation. Neither Party shall incur any liability to the other Party as a consequence of any litigation initiated or pursued pursuant to this Section 8.6.2 or any unfavorable decision resulting therefrom, including any decision holding any Hutchison Patent Right or Joint Patent Right invalid or unenforceable.

8.7. Third Party Claims.

8.7.1. Third Party Claims – Course of Action. If the Development, Commercialization or Manufacture of a Collaboration Product under this Agreement is alleged by a Third Party to infringe a Third Party's Patent Right(s) or misappropriate a Third Party's trade secret, the Party becoming aware of such allegation shall promptly notify the other Party thereof, in writing, reasonably detailing the claim.

8.7.2. Third Party Suit. If a Third Party sues a Party (the "**Sued Party**") alleging that the Sued Party's or the Sued Party's Sublicensees' Development, Manufacture or Commercialization of the Collaboration Compound or Collaboration Product infringes or shall infringe said Third Party's Patent Right(s) or misappropriates said Third Party's trade secret, [**] to defend or settle such claim in its own name after consultation with Hutchison and in connection with its defense of any such Third Party suit, Hutchison shall provide reasonable assistance to AstraZeneca for such defense and shall join such suit if deemed a necessary party. AstraZeneca shall keep Hutchison, if Hutchison has not joined in such suit, reasonably informed on a quarterly basis, in person or by telephone, prior to and during the pendency of any such suit. AstraZeneca shall not admit the invalidity of any patent within the Hutchison Patent Rights, the AstraZeneca Patent Rights or the Joint Patent Rights, nor settle any such suit, without written consent of the other Party, such consent not to be unreasonably withheld or delayed. Subject to Hutchison's indemnity obligations pursuant to Section 11.1, all litigation expenses, including settlement costs, royalties paid in settlement of any such suit, and the payment of any damages to the Third Party will be paid by AstraZeneca.

8.8. Patent Certifications. Each Party shall immediately give written notice to the other of any certification of which it becomes aware has been filed pursuant to 21 U.S.C. § 355(b)(2)(A), or § 355(j)(2)(A)(vii) or any amendment or successor statute thereto or any analog in any other jurisdiction claiming that the Hutchison Patent Rights or Joint Patent Rights covering a Collaboration Product are invalid or that infringement shall not arise from the manufacture, use, import sale or offer for sale of such Third Party product by a Third Party. AstraZeneca shall have the right, in the first instance, to commence an ANDA Proceeding in connection with any such certification. If AstraZeneca decides not to bring infringement proceedings against the Third Party making such a certification with respect to any Collaboration Product, AstraZeneca will give notice to Hutchison of its decision not to bring suit within [**] business days after receipt of notice of such certification (or, if the time period permitted by law is less than [**] business days, within half of the time period permitted by law for AstraZeneca to commence such action) and Hutchison may then,

but shall not be obligated to, bring suit against the Third Party that filed the certification. Any suit by either Party may be in the name of either or both Parties, as may be required by law. For this purpose, the Party not bringing suit will execute such legal papers necessary for the prosecution of such suit as may be reasonably requested by the Party bringing suit.

8.9. No Implied Licenses. Except as expressly set forth in this Agreement, no right or license under any Hutchison Technology or AstraZeneca Technology is granted or shall be granted by implication as a result of the respective rights of the Parties under this Agreement. All such rights or licenses are or shall be granted only as expressly provided in this Agreement.

8.10. Privileged Communications. In furtherance of this Agreement, it is expected that AstraZeneca and Hutchison will, from time to time, disclose to one another privileged communications with counsel, including opinions, memoranda, letters and other written, electronic and verbal communications. Such disclosures are made with the understanding that they shall remain confidential, they will not be deemed to waive any applicable attorney-client privilege and that they are made in connection with the shared community of legal interests existing between Hutchison and AstraZeneca, including the community of legal interests in avoiding infringement of any valid, enforceable patents of Third Parties and maintaining the validity of Hutchison Patent Rights, AstraZeneca Patent Rights and Joint Patent Rights.

8.11. Create Act. This Agreement includes a joint research agreement as defined in 35 U.S.C. § 103(c)(3). Notwithstanding anything to the contrary in this Article 8, neither Party shall have the right to make an election under the Cooperative Research and Technology Enhancement Act of 2004, 35 U.S.C. 103 (c)(2)-(c)(3) when exercising its rights under this Article 8 without the prior written consent of the other Party. With respect to any such permitted election, the Parties shall use reasonable efforts to cooperate and coordinate their activities with respect to any submissions, filings or other activities in support thereof.

9. GOVERNMENT APPROVALS.

9.1. AstraZeneca's and Hutchison's Obligations. Each of AstraZeneca and Hutchison shall use its good faith efforts to eliminate any concern on the part of any court or Government Authority regarding the legality of the proposed transaction, including, if required by federal or state antitrust authorities, promptly taking all steps to secure government antitrust clearance, including cooperating in good faith with any government investigation including the prompt production of documents and information demanded by a second request for documents and of witnesses if requested.

9.2. Additional Approvals. AstraZeneca and Hutchison shall cooperate and use respectively all reasonable efforts to make all other registrations, filings and applications, to give all notices and to obtain as soon as practicable all governmental or other consents, transfers, approvals, orders, qualifications authorizations, permits and waivers, if any, and to do all other things necessary or desirable for the consummation of the transactions as contemplated hereby. Neither Party shall be required, however, to divest or out-license products or assets or materially change its business if doing so is a condition of obtaining

approval of the transactions contemplated by this Agreement.

9.3. Termination. If a report is required to be filed under any antitrust statute, either Party may, before the Effective Date, terminate this Agreement by written notice to the other Party, if, within [**] after the report is filed, approval of the transactions contemplated by this Agreement under such antitrust statute has not been obtained or the notice and waiting period, as may be extended, under such antitrust statute has not expired without adverse action regarding this Agreement or the transactions contemplated hereby. If this Agreement is terminated pursuant to this Section 9.3, then, notwithstanding any provision in this Agreement to the contrary, neither Party shall have any further obligation to the other Party with respect to the subject matter of this Agreement except for the obligations set forth in Section 6.1, which obligations shall survive any termination of this Agreement; provided that each Party shall within ten (10) days of such termination promptly refund to the other Party in full all amounts paid by such Party to the other Party in connection with this Agreement.

10. TERM AND TERMINATION.

10.1. Term. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated as provided in this Section 10 shall continue in full force and effect on a country-by-country basis as long as any Collaboration Product is being Developed or Commercialized for use in the Field in the Territory (the "**Term**")

10.2. Termination for Convenience; Termination by Mutual Agreement. AstraZeneca may terminate this Agreement in its entirety for any reason or no reason upon providing one hundred eighty (180) days' prior written notice to Hutchison. Additionally, the Parties may terminate this Agreement by mutual written agreement.

10.3. Termination for Cause.

10.3.1. Termination for Material Breach. In the event that a Party commits a material breach of its obligations under this Agreement that is not cured within sixty (60) days (or such other time period as mutually agreed by the Parties) after such Party receives written notice from the non-breaching Party, which notice shall specify the nature of the breach and demand its cure, the non-breaching Party may terminate this Agreement upon written notice to the breaching Party; provided, however, that a breach of this Agreement by AstraZeneca that relates solely to a country that is not a Major Market Country shall give Hutchison a termination right only as to such country (any such termination, a "**Country-Specific Termination**"). Notwithstanding the foregoing, if either Party is alleged to be in material breach and disputes such termination through the dispute resolution procedures set forth in this Agreement, then the other Party's right to terminate this Agreement shall be suspended for so long as such dispute resolution procedures are being pursued by the allegedly breaching Party in good faith and, if it is finally and conclusively determined that the allegedly breaching Party is in material breach, then the breaching Party shall have the right to cure such material breach after such determination within the cure period provided above in this Section 10.3.1.

10.3.2. Termination for Bankruptcy. This Agreement may be terminated by

written notice by either Party at any time during the term of this Agreement if the other Party shall file in any court or Agency, pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that Party or of its assets, or if the other Party proposes a written agreement of composition or extension of its debts, or if the other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within sixty (60) days after the filing thereof, or if the other Party shall propose or be a Party to any dissolution or liquidation, or if the other Party shall make an assignment for the benefit of its creditors.

10.4. Effect of Termination.

10.4.1. Effects of Termination for Convenience. If this Agreement is terminated for convenience pursuant to Section 10.2, the following provisions shall apply:

(a) Nothing in this Agreement shall be construed as prohibiting Hutchison from Developing, Manufacturing and Commercializing a Collaboration Compound and the Collaboration Product in the Field in the Territory;

(b) All licenses granted by Hutchison to AstraZeneca hereunder shall automatically terminate;

(c) AstraZeneca shall, and hereby does, assign to Hutchison all right, title and interest in and to: (i) all Regulatory Submissions and Regulatory Approvals Controlled by AstraZeneca or any Affiliate pertaining to Collaboration Compounds, Collaboration Products and Diagnostic Products in the Field in the Territory and (ii) all of AstraZeneca's interest in any copyrights to the extent necessary or useful for Commercializing the Collaboration Product;

(d) If, at the time AstraZeneca terminates the Agreement, a Collaboration Product is then being sold using an AstraZeneca-owned Trademark, AstraZeneca shall, assign all of AstraZeneca's interest in any Trademark (including the goodwill symbolized by such Trademark), on commercially reasonable terms to be mutually agreed upon by the Parties;

(e) AstraZeneca shall grant, and shall be deemed to grant, to Hutchison and its Sublicensees a Right of Reference to all data generated in any Clinical Trials undertaken by AstraZeneca , its Affiliates or Sublicensees in accordance with this Agreement (including all such Regulatory Submissions, Regulatory Approvals and Clinical Trial data related to any Diagnostic Product and any Combination Collaboration Products in which the other active ingredients are non-proprietary), and AstraZeneca shall provide a signed statement to this effect, if requested by Hutchison , in accordance with 21 C.F.R. § 314.50(g)(3) (or any analogous Applicable Law recognized outside of the United States);

(f) AstraZeneca shall, and hereby does, grant to Hutchison a perpetual, royalty-free, irrevocable, non-exclusive license in the Territory to use the data generated in Clinical Trials undertaken by AstraZeneca , its Affiliates or

Sublicensees hereunder (including all such Regulatory Submissions, Regulatory Approvals and Clinical Trial data related to any Combination Collaboration Products) for the Development and Commercialization of Collaboration Compounds, Collaboration Products and Diagnostic Products in the Field in the Territory;

(g) All licenses granted to Hutchison hereunder shall continue, and AstraZeneca shall, and hereby does, grant to Hutchison an exclusive (even as to AstraZeneca) license in the Territory (with the right to sublicense on terms consistent with Section 2.5) (i) to practice any invention claimed in the AstraZeneca Patent Rights or Joint Patent Rights, (ii) to practice the AstraZeneca Know-How and Joint Know-How and (iii) to practice any other Patent Right or Know Controlled by AstraZeneca on the effective date of termination that arose before the effective date of termination and was either in use by AstraZeneca or was actively being considered for use in connection with the Development, Manufacture or Commercialization of any Collaboration Compound, Collaboration Product or Diagnostic Product, in each case ((i) – (iii)), solely to the extent necessary to Develop, Manufacture and Commercialize a Collaboration Compound, Collaboration Product or Diagnostic Product, as applicable, in the Field in the Territory;

(h) Notwithstanding anything in Section 3.3.2(a) to the contrary, AstraZeneca shall reasonably cooperate with Hutchison to assure a smooth transition, at Hutchison's expense, of any Clinical Trials in progress related to a Collaboration Compound or Collaboration Product in the Field, which Hutchison determines to continue in compliance with Applicable Laws and ethical guidelines applicable to the transfer or termination of any such Clinical Trials. In the event that Hutchison informs AstraZeneca that it does not intend to continue specific Development activities then in progress, costs incurred in closing out such activities shall be borne by AstraZeneca;

(i) Until termination is effective, each Party shall continue to perform its obligations under the Development Plan (if still in effect) and shall pay all costs allocated to it in accordance with this Agreement, including the Development Budget (if still in effect), except with respect to activities that Hutchison elects to discontinue and subject to Section 5.7.2(e) and 5.7.2(f);

(j) At Hutchison's request, Hutchison may purchase, [**], all of the inventory of bulk or finished Collaboration Products held by AstraZeneca as of the date of termination (including raw materials, intermediates and finished, unfinished, or partially finished goods). Hutchison shall notify AstraZeneca within ten (10) days after the date of termination whether Hutchison wishes to purchase such inventory. In the event Hutchison does not purchase such inventory, then AstraZeneca and its Affiliates shall be permitted to sell such inventory, provided that such sales occur within six (6) months after termination, and provided further that AstraZeneca shall remain obligated to pay, and report to Hutchison on, Net Sales of such inventory; and

(k) At Hutchison's request, AstraZeneca shall use Commercially Reasonable Efforts to assign to Hutchison to the extent assignment is permitted by such agreements and provided that AstraZeneca is not required to pay any consideration or commence litigation in order to effect an assignment of any such agreement any Third Party agreements then in effect for the Manufacture of Collaboration Compound or Collaboration Product.

10.4.2. Effects of Termination for Material Breach.

(a) If this Agreement is terminated by Hutchison pursuant to Section 6.4.3 or 10.3, all licenses granted by Hutchison to AstraZeneca shall automatically terminate. Without limiting the foregoing, in the event this Agreement is terminated by Hutchison for a material breach of AstraZeneca pursuant to Section 6.4.3 or 10.3.1 , the effects of termination set forth in Section 10.4.1 shall apply; provided, however, that in the event of a Country-Specific Termination pursuant to Section 10.3.1, such effects of termination shall apply only with respect to the applicable country.

(b) In the event that AstraZeneca has the right to terminate this Agreement pursuant to Section 10.3.1, AstraZeneca may elect to either (x) terminate this Agreement in its entirety pursuant to Section 10.3.1 or (y) elect, as its sole and exclusive remedy with respect to such breach, to forego its right to terminate this Agreement pursuant to Section 10.3.1, in which case the provisions of clauses (i) – (iii) below shall apply.

(i) AstraZeneca' s sole and exclusive remedy with respect to such breach shall be to offset from amounts due under Sections 5.2 and 5.3 the amount of any agreed-upon or proven damages ("**Damages**").

(ii) Pending any agreement between the Parties on the amount of the Damages or a final, non-appealable judgment in a court of competent jurisdiction as to the amount of the Damages ("**Final Resolution**"), AstraZeneca shall set up an escrow account into which it shall pay, as they become due, all milestones and royalty payments owed to Hutchison under Section 5.2 or 5.3.

(iii) Upon Final Resolution, any Damages owed to AstraZeneca in respect of the applicable breach shall be deducted by AstraZeneca from amounts paid into such escrow account. In the event the amounts contained in such escrow account exceed the Damages, the amounts remaining in such escrow account shall be released to Hutchison no later than five (5) Business Days after Final Resolution. In the event the amounts contained in such escrow account are insufficient to cover the Damages, the balance of any such

amounts may be deducted from the next applicable payment owed by AstraZeneca to Hutchison under Section 5.2 or 5.3 and may be carried forward until fully exhausted.

10.5. Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Hutchison and AstraZeneca are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the United States Bankruptcy Code. The Parties agree that each Party, as licensee of certain rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the United States Bankruptcy Code, the other Party shall be entitled to a complete duplicate of (or complete access to, as appropriate) any intellectual property licensed to such other Party and all embodiments of such intellectual property, which, if not already in such other Party's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon such other Party's written request therefor, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under clause (a), following the rejection of this Agreement by the bankrupt Party upon written request therefor by the other Party.

10.6. Survival of Certain Obligations. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing before such expiration or termination. The provisions of this Agreement that must, by their nature, survive expiration or termination of this Agreement to give effect to their intent, shall so survive, including Sections 2.4, 2.6, 6, 9 and 11 Any expiration or early termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement before termination.

11. PRODUCT LIABILITY, INDEMNIFICATION AND INSURANCE.

11.1. Indemnification by Hutchison. Hutchison shall indemnify, defend and hold harmless AstraZeneca, its Affiliates, and each of its and their respective employees, officers, directors, agents and Sublicensees (each, a "**AstraZeneca Indemnified Party**") from and against any and all losses, damages, liabilities, settlements, penalties, fines and expenses (including reasonable attorneys' fees and expenses) (collectively, "**Liability**") that the AstraZeneca Indemnified Party may be required to pay to one or more Third Parties to the extent resulting from or arising out of:

(a) any Hutchison representation or warranty set forth herein being untrue in any material respect when made or any material breach by Hutchison of any of its covenants or obligations hereunder; or

(b) the gross negligence or willful misconduct by or of Hutchison, its Affiliates and their respective officers, directors, agents and Sublicensees in performing any of their obligations under this Agreement; or

(c) Hutchison's or its Affiliates' Development of a Collaboration Compound; except in each case, to the extent caused by the gross negligence or willful misconduct of AstraZeneca or any AstraZeneca Indemnified Party, or by breach of this Agreement by AstraZeneca.

11.2. Indemnification by AstraZeneca. AstraZeneca shall indemnify, defend and hold harmless Hutchison, its Affiliates, and each of its and their respective employees, officers, directors, agents and Sublicensees (each, a "**Hutchison Indemnified Party**") from and against any and all Liabilities that the Hutchison Indemnified Party may be required to pay to one or more Third Parties to the extent resulting from or arising out of:

(a) any AstraZeneca representation or warranty set forth herein being untrue in any material respect when made or a material breach by AstraZeneca of any of its covenants or obligations hereunder; or

(b) the gross negligence or willful misconduct by or of AstraZeneca, its Affiliates and their respective officers, directors, agents and Sublicensees in performing any of their obligations under this Agreement; or

(c) AstraZeneca's Development, Manufacture or Commercialization of a Collaboration Compound or Collaboration Product; except in each case, to the extent caused by the gross negligence or willful misconduct of Hutchison or any Hutchison Indemnified Party, or by breach of this Agreement by Hutchison.

11.3. Procedure. Each Party shall notify the other in the event it becomes aware of a claim for which indemnification may be sought hereunder or for which Liability is shared pursuant to this Section 11. In case any proceeding (including any governmental investigation) shall be instituted involving any Party in respect of which indemnity may be sought pursuant to this Section 11, such Party (the "**Indemnified Party**") shall provide the other Party (the "**Indemnifying Party**") with prompt written notice of such proceeding (the "**Indemnification Claim Notice**"). Promptly after the Indemnifying Party receives the Indemnification Claim Notice, the Indemnifying Party and Indemnified Party shall meet to discuss how to respond to any claims that are the subject matter of such proceeding. At its option, the Indemnifying Party may assume the defense of any Third Party claim subject to indemnification as provided for in this Section 11.3 by giving written notice to the Indemnified Party within thirty (30) days (or until such time provided in any applicable extension to appropriately answer any complaint, if any, but no longer than seventy (70) days, provided that the Indemnified Party makes all reasonable efforts to obtain any such extension) after the Indemnifying Party's receipt of an Indemnification Claim Notice, provided that (a) the claim solely seeks monetary damages and (b) the Indemnifying Party expressly agrees in writing that as between the Indemnifying Party and the Indemnified Party, the Indemnifying Party shall be solely obligated to satisfy and discharge the claim in full (the matters described in (a) and (b), the "**Litigation Conditions**"). The Indemnifying Party may, at any time, assume all such defense if the Litigation Conditions are not satisfied

at any time. Upon assuming the defense of a Third Party claim in accordance with this Section 11.3, the Indemnifying Party shall be entitled to appoint lead counsel in the defense of the Third Party claim. Should the Indemnifying Party assume and continue the defense of a Third Party claim, except as otherwise set forth in this Section 11.3, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the analysis, defense or settlement of the Third Party claim. Without limiting this Section 11.3, any Indemnified Party will be entitled to participate in, but not control, the defense of a Third Party claim for which it has sought indemnification hereunder and to employ counsel of its choice for such purpose; provided, however, that such employment will be at the Indemnified Party's own expense unless (i) the employment thereof has been specifically authorized by the Indemnifying Party in writing, (ii) the Indemnifying Party has failed to assume and actively further the defense and employ counsel in accordance with this Section 11.3 (in which case the Indemnified Party will control the defense) or (iii) the Indemnifying Party no longer satisfies the Litigation Conditions. With respect to any Liability relating solely to the payment of money damages in connection with a Third Party claim that will not result in the Indemnified Party's becoming subject to injunctive or other relief or otherwise adversely affect the business of the Indemnified Party in any manner, and as to which the Indemnifying Party will have acknowledged in writing the obligation to indemnify the Indemnified Party hereunder, and subject to the Litigation Conditions being satisfied, the Indemnifying Party will have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Liability, on such terms as the Indemnifying Party, in its reasonable discretion, will deem appropriate (provided that such terms shall include a complete and unconditional release of the Indemnified Party from all liability with respect thereto), and will transfer to the Indemnified Party all amounts which said Indemnified Party will be liable to pay prior to the time of the entry of judgment. With respect to all other Liabilities in connection with Third Party claims, where the Indemnifying Party has assumed the defense of the Third Party claim in accordance with this Section 11.3, the Indemnifying Party will have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Liability provided that it obtains the prior written consent of the Indemnified Party (which consent will be at the Indemnified Party's reasonable discretion). The Indemnifying Party that has assumed the defense of the Third Party claim in accordance with this Section 11.3 will not be liable for any settlement or other disposition of a Liability by an Indemnified Party (but in no event to include any court judgment or judicial or administrative order or disposition) that is reached without the written consent of such Indemnifying Party. No Indemnified Party will admit any liability with respect to, or settle, compromise or discharge, any Third Party claim without first offering to the Indemnifying Party the opportunity to assume the defense of the Third Party claim in accordance with this Section 11.3. If the Indemnifying Party chooses to defend or prosecute any Third Party claim, the Indemnified Party will cooperate in the defense or prosecution thereof and will furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection with such Third Party claim. Such cooperation will include access during normal business hours afforded to the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party claim, and making employees and agents available on a mutually convenient basis to provide additional

information and explanation of any material provided hereunder, and the Indemnifying Party will reimburse the Indemnified Party for all its reasonable out-of-pocket expenses incurred in connection with such cooperation.

11.4. Insurance. The Parties shall maintain insurance with creditworthy insurance companies or self insure in accordance with Applicable Law against such risks and in such amounts as are usually maintained or insured against by other companies of established repute engaged in the same or a similar business.

11.5. Tax. AstraZeneca shall indemnify, defend and hold harmless Hutchison, and its Affiliates, from and against any and all Liabilities that Hutchison or its Affiliates are required to pay in respect of non-recoverable Indirect Taxes or corporation taxes arising on assessment solely as a consequence of the alteration of the mechanics of settlement between the Parties under Section 5.3.1 and 5.3.2 (an "**Indemnifying Tax Payment**"). To the extent that AstraZeneca makes an Indemnifying Tax Payment to Hutchison pursuant to this Section 11.5 and, subsequently, Hutchison receives a reimbursement of such tax liabilities for which an Indemnifying Tax Payment was made, to the extent that Hutchison by making such payment would not be worse off compared to the situation where no additional tax had been required to be paid, Hutchison shall either: (i) pay to AstraZeneca the full amount of such tax refund or relief; or (ii) issue a credit note of an equivalent amount to such credit, refund or relief against future invoices due to Hutchison. Furthermore, Hutchison shall use Commercially Reasonable Efforts to appeal any and all assessments raised by a tax authority which may result in an Indemnifying Tax Payment being made and will notify AstraZeneca of any such assessment within 14 days of receipt.

11.6. Liability Limitations.

11.6.1. No Consequential Damages. EXCEPT WITH RESPECT TO ANY BREACH OF SECTION 6.1 (CONFIDENTIALITY), IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES UNDER THIS AGREEMENT, EXCEPT TO THE EXTENT THE DAMAGES RESULT FROM A PARTY'S FRAUD OR WILLFUL MISCONDUCT OR ARE PAYABLE IN CONNECTION WITH A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS SECTION 11 FOR LIABILITY OWED TO THIRD PARTIES.

11.6.2. Scope of Hutchison's Liability. In no event shall Hutchison's Liability under this Agreement exceed, [**] (the "Liability Cap"); provided, however, that such Liability Cap shall not apply to any Liability based on or arising out of any death or personal injury to a Third Party resulting from any negligence of Hutchison, its Affiliates or Sublicensees.

12. MISCELLANEOUS.

12.1. Governing Law, Jurisdiction; Dispute Resolution.

12.1.1. Governing Law. The interpretation and construction of this Agreement

shall be governed by the laws of England, and the Parties hereby submit to the non-exclusive jurisdiction of the English courts.

12.1.2. Dispute Resolution. In the event of a dispute arising out of or relating to this Agreement either Party shall provide written notice of the dispute to the other, in which event the dispute shall be referred to the executive officers designated below or their successors, for attempted resolution by good faith negotiations within [**] after such notice is received. Said designated officers are initially as follows:

For Hutchison:	Chief Executive Officer, Hutchison MediPharma Limited
For AstraZeneca:	its Executive Vice President, Innovative Medicines or his designee

In the event the designated executive officers do not resolve such dispute within the allotted [**], either Party may, after the expiration of the [**] period, seek to resolve the dispute through reference to the courts in accordance with Section 12.1.1. Notwithstanding the preceding, the Parties acknowledge that the failure of the Parties to reach consensus as to any matter, which failure does not involve a breach by a Party of its obligations hereunder, shall not be deemed a dispute which may be referred for resolution by the Parties under this Section 12.1.2.

12.1.3. Agent for Service.

(a) To the extent that any injunctive or other Proceedings (as defined below) are sought in the court of England, the Parties hereby irrevocably agrees that any Service Document (as defined below) may be sufficiently and effectively served on it in connection with Proceedings by service on its agent, provided that if a replacement agent has been appointed and notified to the other party pursuant to Section 12.1.3(d), then by service on such replacement agent.

(b) Any Service Document served pursuant to Section 12.1.3(a) shall be marked for the attention of:

If to Hutchison:

Address:	c/o Hutchison Whampoa Agents (UK) Limited Hutchison House 5 Hester Road Battersea London SW1 1 4AN United Kingdom
Fax no:	+44 20 7350 5791
Attention:	The Company Secretary

If to AstraZeneca:

Address:	1 Francis Crick Avenue Cambridge Biomedical Campus Cambridge, UK CB2 0AA
Fax no:	+44 20 7604 8060
Attention:	The Company Secretary

(c) Any Service Document addressed in accordance with Section 12.1.3(b) shall be deemed to have been duly served if: (i) left at the specified address at the time it is left; (ii) sent by first class post, two working days after the day of posting; or (iii) sent by facsimile transmission, when the electronic acknowledgment is received by the sender.

(d) If either the agent of the Parties referred to in Section 12.1.3(b) (or any replacement agent appointed pursuant to this sub-section) at any time ceases for any reason to act as such, the Parties (as the case may be) shall appoint a replacement agent to accept service having an address for service in the United Kingdom and shall notify the other party of the name and address of the replacement agent.

(e) In this Section 12.1.3: (i) "**Proceedings**" means any proceeding, action arising out of or in connection with this Agreement, as contemplated by Clause 12.1.3(a); and (ii) "**Service Document**" means a writ, summons, order, judgment or other process issued out of the courts of England in connection with any Proceedings.

(f) A person who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

12.2. Force Majeure. No liability shall result from, and no right to terminate shall arise, in whole or in part, based upon any delay in performance or non-performance, in whole or in part, by either of the Parties to this Agreement to the extent that such delay or non-performance is caused by an event of Force Majeure. "**Force Majeure**" means an event that is beyond a non-performing Party's reasonable control, including an act of God, act of the other Party, strike, lock-out or other industrial/labor dispute not involving the non-performing Party's own employees, war, riot, civil commotion, terrorist act, malicious damage, epidemic, quarantine, fire, flood, storm, natural disaster or compliance with any law or governmental order, rule, regulation or direction, whether or not it is later held to be invalid or inapplicable. The Force Majeure Party shall within ten (10) days of the occurrence of the Force Majeure event, give written notice to the other Party stating the nature of the Force Majeure event, its anticipated duration and any action being taken to avoid or minimize its effect. Any suspension of performance shall be of no greater scope and of no longer duration than is reasonably required and the Force Majeure Party shall use reasonable effort to remedy its inability to perform; provided, however, if the suspension of performance continues or is anticipated to continue for thirty (30) days after the date of the occurrence, the unaffected Party shall have the right but not the obligation to perform on behalf of the Force Majeure Party for a period of such Force Majeure and such additional period as may be

reasonably required to assure a smooth and uninterrupted transition of such activities. If such failure to perform would constitute a material breach of this Agreement in the absence of such event of Force Majeure, and continues for six (6) months from the date of the occurrence and the Parties are not able to agree on appropriate amendments within such period, such other Party shall have the right, notwithstanding the first sentence of this Section 12.3, to terminate this Agreement immediately by written notice to the Force Majeure Party, in which case neither Party shall have any liability to the other except for those rights and liabilities that accrued prior to the date of termination.

12.3. Waiver and Non-Exclusion of Remedies. A Party's failure to enforce, at any time or for any period of time, any provision of this Agreement, or to exercise any right or remedy shall not constitute a waiver of that provision, right or remedy or prevent such Party from enforcing any or all provisions of this Agreement and exercising any rights or remedies. To be effective any waiver must be in writing. The rights and remedies provided herein are cumulative and do not exclude any other right or remedy provided by law or otherwise available except as expressly set forth herein.

12.4. Notices.

12.4.1. Notice Requirements. Any notice, request, demand, waiver, consent, approval or other communication permitted or required under this Agreement shall be in writing, shall refer specifically to this Agreement and shall be deemed given only if delivered by hand or sent by facsimile transmission (with transmission confirmed) or by internationally recognized overnight delivery service that maintains records of delivery, addressed to the Parties at their respective addresses specified in Section 12.4.2 or to such other address as the Party to whom notice is to be given may have provided to the other Party in accordance with this Section 12.4.1. Such Notice shall be deemed to have been given as of the date delivered by hand or transmitted by facsimile (with transmission confirmed) or on the second business day (at the place of delivery) after deposit with an internationally recognized overnight delivery service. This Section is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

12.4.2. Address for Notice.

Hutchison:

Hutchison MediPharma Limited
Building 4, 720 Cailun Road
Zhangjiang High Tech Park
Shanghai, China 201203
Attn: Chief Executive Officer, Hutchison MediPharma Limited
Fax: 86-21-50793900

With a copy to:

CK Hutchison Holdings Limited
48/F Cheung Kong Center
2 Queen's Road

Central
Hong Kong
Attn: Head Group General Counsel & Company Secretary
Fax: +852 2128 1778

AstraZeneca:

AstraZeneca AB
S-151 85 Södertälje
Sweden
Attn: The Company Secretary
Fax: +46 8 553 288 12

With a copy to:

AstraZeneca UK Limited
Eastbrook House
Shaftesbury Road
Cambridge
CB2 8DU
United Kingdom
Attn: Senior VP, Business Development Operations

12.5. Entire Agreement. As of the Restatement Date, the Original Agreement is hereby amended, supplemented, modified and restated in its entirety as described herein, and this Agreement shall hereby constitute the entire agreement between the Parties with respect to the subject matter of the Agreement. This Agreement supersedes all prior agreements, whether written or oral, with respect to the subject matter hereof. Each Party confirms that it is not relying on any representations, warranties or covenants of the other Party except as specifically set out in this Agreement. Nothing in this Agreement is intended to limit or exclude any liability for fraud. All Schedules or Exhibits referred to in this Agreement are intended to be and are hereby specifically incorporated into and made a part of this Agreement. In the event of any inconsistency between any such Schedules or Exhibits and this Agreement, the terms of this Agreement shall govern.

12.6. Amendment. Any amendment or modification of this Agreement must be in writing and signed by authorized representatives of both Parties.

12.7. Assignment. Neither Party may assign its rights or delegate its obligations under this Agreement, in whole or in part without the prior written consent of the other Party, except that each Party shall always have the right, without such consent, (a) to perform any or all of its obligations and exercise any or all of its rights under this Agreement through any of its Affiliates and, (b) on written notice to the other Party, assign any or all of its rights and delegate or subcontract any or all of its obligations hereunder to (i) any of its Affiliates, (ii) a successor of all or substantially all of the business of such Party, whether by way of merger, sale of stock, sale of assets or other transaction (or series of transactions) or (iii) a successor of that portion of a Party's business to which this Agreement pertains. Any

permitted successor or assignee of rights or obligations hereunder shall, in a writing to the other Party, expressly assume performance of such rights or obligations. Notwithstanding the foregoing, each Party shall remain responsible for any failure to perform on the part of any such Affiliates. Any attempted assignment or delegation in violation of this Section shall be void.

12.8. No Benefit to Others. The provisions of this Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights in any other persons except as otherwise expressly provided in this Agreement.

12.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall be deemed to constitute one and the same instrument. An executed signature page of this Agreement delivered by facsimile transmission shall be as effective as an original executed signature page.

12.10. Severability. To the fullest extent permitted by applicable law, the Parties waive any provision of law that would render any provision in this Agreement invalid, illegal or unenforceable in any respect. If any provision of this Agreement is held to be invalid, illegal or unenforceable, in any respect, then such provision will be given no effect by the Parties and shall not form part of this Agreement. To the fullest extent permitted by applicable law and if the rights or obligations of any Party will not be materially and adversely affected, all other provisions of this Agreement shall remain in full force and effect and the Parties will use their best efforts to negotiate a provision in replacement of the provision held invalid, illegal or unenforceable that is consistent with applicable law and achieves, as nearly as possible, the original intention of the Parties.

12.11. Further Assurance. Each Party shall perform all further acts and things and execute and deliver such further documents as may be reasonably necessary or as the other Party may reasonably require to implement or give effect to this Agreement.

12.12. Publicity. The Parties may jointly or separately issue press releases, public announcements, or other public disclosures regarding the Agreement or its subject matter or any amendment, provided that (i) at the minimum 15 days ahead of the issuance of a potential press release or other public disclosure, the Party wishing to issue such press release or other disclosure consults with the other Party reasonably and in good faith with respect to the text and timing of any such press releases or other public disclosure relating to the Agreement or its subject matter including any amendments thereto and (ii) the other Party has given its consent to such release, such consent not be unreasonably withheld. Notwithstanding the foregoing, either Party may issue such press releases or other public disclosure as it determines provided that such release is, based on the advice of counsel, and is reasonably necessary to comply with the applicable laws or regulations or for appropriate market disclosure in such country or which are consistent with information disclosed in prior releases properly made hereunder provided that such information remains accurate as of such time and provided the frequency and form of such disclosure are reasonable.

12.13. Relationship of the Parties. The status of a Party under this Agreement shall be that of an independent contractor. Nothing contained in this Agreement shall be construed as creating a partnership, joint venture, or agency relationship between the Parties or, except as otherwise expressly provided in this Agreement, as granting either Party the authority to bind or contract any obligation in the name of or on the account of the other Party or to make any statements, representations, warranties, or commitments on behalf of the other Party. All Persons employed by a Party or any of its Affiliates shall be employees of such Party or its Affiliates and not of the other Party or such other Party's Affiliates and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party or its Affiliates, as applicable.

12.14. Subcontracting. Hutchison may, in its sole discretion, use one or more Affiliates or Third Party contractors to perform any or all of its obligations under this Agreement, provided that Hutchison shall remain responsible for its obligations under the Agreement and shall be responsible for the performance of each such Affiliate and Third Party subcontractor.

12.15. English Language. This Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this Agreement and in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail. English shall be the official language of this Agreement and all communications between the Parties shall be conducted in that language.

12.16. Construction. Except where the context requires otherwise, whenever used the singular includes the plural, the plural includes the singular, the use of any gender is applicable to all genders and the word "or" has the inclusive meaning represented by the phrase "and/or". Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The headings of this Agreement and any descriptions of Schedules and Exhibits or descriptions of cross references are for convenience of reference only and do not define, describe, extend or limit the scope or intent of this Agreement or the scope or intent of any provision contained in this Agreement. The terms "including," "include(s)," "such as," and "for example" as used in this Agreement mean including the generality of any description preceding such term and shall be deemed to be followed by "without limitation."

IN WITNESS WIIERFOF. duly authorized representatives of the Parties have duly executed this Agreement to be effective as of the Restatement Date.

ASTRAZENECA AB (publ)	和记黄埔医药（上海）有限公司
By /s/[**]	By /s/[**]
Name: [**]	Name: [**]
Title: Authorised signatory	Title: *Director*

Schedule 1.11

Back-Up Compounds

HUTCHISON COMPOUND CODE	EXAMPLE NUMBER*	CHEMICAL NAME
[**]	[**]	[**]
[**]	[**]	[**]

[**].

Schedule 1.19

Collaboration Compound

HUTCHISON COMPOUND CODE	HMPL-504
GENERIC NAME	**Volitinib**
CHEMICAL NAME	[**]
EXAMPLE NUMBER*	[**]

[**].

Schedule 1.33

Development Plan and Development Budget

[**]

Schedule 1.49

Hutchison Patent Rights

The following are the pending patent applications related to the Collaboration Compound and the Back-Up Compounds.

	COUN - TRY	APPLICATION / PUBLICATION NO.	FILING DATE	STATUS	TITLE
1	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]
2	[**]	[**]	[**]	[**]	[**]
	[**]	[**]	[**]	[**]	[**]

Schedule 4.1.6

China Life Cycle Indications

(1) SACHI Study − a China Phase III registration study of savolitinib plus osimertinib in 1st, 2nd and 3rd generation EGFR inhibitor refractory, MET amplified NSCLC patients;

(2) Gastric Cancer Study − a China Phase II study, with registration intent, of savolitinib (either as monotherapy or in combination with durvalumab) in second-line or above gastric cancer; and

(3) China Basket Study − an exploratory study in approximately 20-30 patients (details of which to be defined and agreed in writing by the Parties) in tumors with driver MET genetic alterations.

Exhibit 4.14

THE SYMBOL "[**]" DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED

CONFIDENTIAL

SECOND AMENDMENT TO
THE AMENDED AND RESTATED EXCLUSIVE LICENSE AND COLLABORATION AGREEMENT

This Second Amendment (this "**Second Amendment**") to the Amended and Restated Exclusive License and Collaboration Agreement, effective as of October 8, 2013 and amended by the First Amendment effective as of December 18, 2018 (the "**First Amendment**"), and made by and between

(1) **Lilly (Shanghai) Management Company Limited** (formerly Eli Lilly Trading (Shanghai) Company Limited), a limited liability company duly organized and existing under the laws of People's Republic of China, with its registered address at Room 1903A, 19 Floor, International Commercial & Trade Building, Xinling Road 118, Waigaoqiao Free Trade Zone, Shanghai, PRC ("**Lilly**");

(2) **Hutchison MediPharma Limited,** a company organized under the laws of the People's Republic of China, having a place of business at Building 4, 720 Cai Lun Road, ZJ Hi-Tech Park, Shanghai, PRC ("**Hutchison**"); and

(3) **Hutchison China MediTech Limited,** a company organized under the laws of the Cayman Islands, with its principal offices at PO Box 309, Ugland House, Grand Cayman, KY1 -1104, Cayman Islands (the "**Hutchison Guarantor**")

(the "Agreement") is made effective as of July 28, 2020 (the "**Second Amendment Effective Date**").

Recitals

WHEREAS, the Parties have entered into the Agreement, pursuant to which Hutchison has granted an exclusive license to Lilly under the Hutchison Know-How, Hutchison Patents and Regulatory Approvals that are necessary or useful to Commercialize the Products in the Field in the Territory and the Parties have implemented a Development Plan.

WHEREAS, pursuant to the First Amendment, the Parties have agreed that Hutchison will be responsible for all Development costs for Products being Developed for any Life Cycle Planning Indication, and that Hutchison will take on responsibility for P&D Services of Products in a subset of the Territory subject to terms of the First Amendment.

WHEREAS, the Parties have agreed to modify the scope of the P&D Services for which Hutchison will be responsible.

WHEREAS, in consideration for Hutchison's activities under the collaboration, Lilly shall pay to Hutchison the Hutchison Service Payments under the Agreement, subject to the terms below in this Second Amendment.

WHEREAS, the Parties wish to memorialize in this Second Amendment a new division of responsibilities and payment obligations under the Agreement.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants contained in this Second Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1 Definitions

Any capitalized term not separately defined in this Second Amendment shall have the meaning ascribed to it in the Agreement.

2 Modifications to the Agreement

2.1 Article 1.86(i) of the Agreement — the definition of "Lilly's VEGF receptor 2 antagonist Product" shall be deleted.

2.2 Article 1.86(ii) of the Agreement — the definition of "Service Territory" shall be deleted and replaced by the following:

(ii) "Service Territory" shall mean Hong Kong and the mainland People's Republic of China.

2.3 Article 1.86(iii) of the Agreement — the definition of "Hutchison Territorial Extension A" and "Hutchison Territorial Extension B" (collectively, the "Hutchison Territorial Extensions") shall be deleted.

2.4 Article 1.86(vi) of the Agreement — the definition of "Lilly Territory" shall be deleted.

2.5 Article 1.86(vii) of the Agreement — the definition of "P&D Services" shall be deleted and replaced by the following:

(vii) "**P&D Services**" shall mean activities for local marketing subject to the overall Commercialization Plan, which includes organizing standalone or support with third party local or regional educational or academic events or best practice sharing sessions for hospitals, salesforce detailing activities, patient and healthcare personnel education, hospital listing, organizing and providing recommendations of key opinion leaders and/or physicians to attend national marketing/medical related events, providing demand forecasts to Lilly for distributor management, providing lists of targeted hospitals, without limiting Article 4.1(b)(i), providing local distributor recommendations, communicating with hospitals, creating promotional materials, and other ordinary course marketing operations within the Service Territory.

For the avoidance of doubt, "P&D Services" does not include selling and booking sales, invoicing and collecting payments, determining pricing strategy or decision, bidding, distribution, including distribution strategy, distributor selection, daily distribution management (such as inventory,

accounts receivable, contract etc.), Products shipment to distributors and overall Commercialization strategy.

2.6 The following additional definitions shall be added after Article 1.86(viii) of the Agreement:

(ix) "**Gross Profit**" shall mean, with respect to a given Calendar Year, Net Sales for all Products in the Service Territory in such Calendar Year, less:

(A) Cost of Goods Sold for such Products, determined in accordance with GAAP or IFRS; and

(B) all royalty payments due to Hutchison pursuant to Article 7 on account of such Net Sales.

(x) "**Sales Targets**" shall mean, with respect to a Calendar Year, those sales targets attached hereto as Exhibit H in the "3rd-Line Colorectal Cancer" row for such Calendar Year plus (following receipt of the GC Approval) those sales targets attached hereto as Exhibit H in the "2nd-Line Gastric Cancer" row for such Calendar Year (pro rated for the Calendar Year in which the GC Approval is received and adjusted as a consequence for the subsequent Calendar Years) (as amended or supplemented from time to time pursuant to this Agreement).

(xi) "**Second Amendment Effective Date**" shall mean July 28, 2020.

(xii) "**SOTC Areas**" shall mean that term as defined in the Services and Demand Realization Agreement by and among the Parties and Lilly Trading Company Limited dated as of December 18, 2018. Exhibit I sets out the provinces and areas that as of the Second Amendment Effective Date are included in the SOTC Areas pursuant to the terms and conditions of the Services and Demand Realization Agreement.

(xiii) "**Compliance Agreement**" shall have the meaning set forth in Article 2.5.

(xiv) "**Compliance Committee**" shall have the meaning set forth in Article 2.5.

(xv) "**Joint Event**" shall have the meaning set forth in Article 4.1(b)(i).

(xvi) "**Transition Period**" shall have the meaning set forth in Article 4.1(b)(ii).

(xvii) "**PMA Approval Authority**" **shall** have the meaning set forth in Article 4.1(b)(iii).

(xviii) "**PMA Committee**" **shall** have the meaning set forth in Article 4.1(b)(iii).

(xix) "**Commercialization Plan**" shall the meaning set forth in Article 4.1(b)(iv).

(xx) "**Hutchison Service Payments**" shall mean the payments to Hutchison **in** respect of the P&D Services in accordance with Article 7.12.

(xxi) "**FRUTIGA Study**" shall have the meaning set forth in Article 7.12(b)(ii).

(xxii) "**GC Approval**" means the Regulatory Approval for the first Product in the 2nd line advanced gastric cancer indication.

(xxiii) "**Actual Opex**" shall have the meaning set forth in Article 7.12(d).

(xxiv) "**Dedicated Salesforce Number**" shall have the meaning set forth in Article 7.12(d).

2.7 Article 2.2(b)(ix) and 2.2(b)(x) of the Agreement — **Responsibilities** shall be deleted and replaced by the following:

(ix) to approve the Commercialization Plan and budget, and any subsequent amendments to the Commercialization Plan and budget;

(xi) to ensure, in consultation with the Compliance Committee, that appropriate Compliance measures are in place in the Service Territory;

(xii) to oversee the activities of subcommittees created under this Agreement, and to resolve any issues that such subcommittees cannot resolve; and

(xiii) to perform such other functions as appropriate to further the purposes of this Agreement, as determined by the Parties.

2.8 A new Article 2.5 is added to the Agreement:

2.5 **Compliance Committee.**

Hutchison and Lilly hereby establish a Compliance Committee (the "**Compliance Committee**") that will meet at least two times per year and if urgent compliance matters need to be discussed more frequently such matters can be added (with the agreement of the Parties) to the agenda for the JSC. The Compliance Committee shall be comprised of one (1) representative from each of Hutchison and Lilly or such other number as may be agreed by the JSC; provided that each such Party at all times shall have an equal number of representatives on the Compliance Committee. The Compliance Committee shall report to the JSC. Subject to the terms and conditions of this Agreement, the Compliance Committee shall have overall responsibility for overseeing implementation by Hutchison of the compliance agreement set out in Exhibit J, ("**Compliance Agreement**"), which may be amended by mutual consent or where required by Applicable Law. The Compliance Committee shall also be responsible for other regular activities including review of monitoring results and follow- up on mitigation plans of audits pursuant to Article 7.6(f); provided that, notwithstanding anything to the contrary in this Agreement, the Compliance Committee may not compel a Party, and no Party may compel the other Party, to be in non-compliance with agreements made with any Government Authority or Applicable Law. If there is a discrepancy between the Parties with respect to the implementation of the Compliance Agreement and the Parties are unable to decide or resolve unanimously the matter in question, the matter shall be referred to the Compliance Committee for resolution.

2.9 Article 3.4(d) of the Agreement shall be deleted and replaced with the following:

(d) If a Product has achieved Positive POC for an Initial Indication or Lilly, pursuant to Article 3.4(a)(iii), elects to conduct Subsequent Development of a Product for an Initial Indication, then (i) Hutchison shall continue to be responsible for all future Subsequent Development activities, (ii) all Development Costs incurred for a Product for an Initial Indication after such achievement or election shall be deemed Subsequent Development Costs, (iii) with respect to each Initial Indication other than 2nd line advanced gastric cancer, Lilly shall be responsible for the payment of the "proof of concept" milestone for such Product in such Initial Indication under Article 7.2 and (iv) with respect to each Initial Indication other than 2nd line advanced gastric cancer, Lilly shall reimburse Hutchison for [**] of Development Costs incurred by Hutchison (see Appendix B, page 7; Development Costs will be the "Total Costs" as set forth in the table) and its Affiliates for Phase III development of such Product for such Initial Indication whether or not such Development Costs are incurred by Hutchison before or after Positive POC achievement.

2.10 Article 3.4(e) of the Agreement shall be deleted and replaced with the following:

(e) Hutchison shall be responsible for [**] of all Subsequent Development Costs and Lilly shall be responsible for [**] of all Subsequent Development Costs, (in each case) except to the extent relating to 2nd line advanced gastric cancer. Except to the extent relating to 2nd line advanced gastric cancer, if any Subsequent Development Costs incurred by Hutchison for an activity exceed the amounts budgeted in the applicable budget in the Development Plan for such activity, such excess costs shall be deemed Subsequent Development Costs for the purposes of this Agreement; provided that, to the extent such excess costs are more than [**] of the amounts budgeted in the applicable budget in the Development Plan for such activity, then such excess costs above such [**] threshold shall only be deemed Subsequent Development Costs for the purposes of this Agreement to the extent such excess costs are not due to Hutchison's failure to conduct activities in a manner consistent with the Development Plan or have been approved by the JSC. All amounts paid to Third Parties by Hutchison for Development activities shall be reimbursed as Development Costs at cost without any mark-up. Following receipt of Regulatory Approval, [**].

2.11 Article 4.1 of the Agreement — **Overview** shall be deleted and replaced with the following:

4.1(a) Initial Commercialization. Lilly shall have full responsibility and authority for all aspects of the Commercialization of Products in the Field in the Territory at its sole expense. Lilly shall use Commercially Reasonable Efforts to Commercialize Products, in compliance with the terms and conditions of the Agreement with a goal to maximize profits from Net Sales of Products. Lilly shall book all Third Party end user sales of the Products (except with respect to the SOTC Areas), and shall have the sole right and obligation to

determine all pricing of the Products (except with respect to the SOTC Areas). Lilly shall bear all of the costs and expenses incurred in connection with all such Commercialization activities (except with respect to the SOTC Areas). Through the JSC, Lilly shall provide Hutchison with quarterly reports of the activities it has undertaken with regard to Commercializing Products in the Territory. In addition, Lilly shall meet with Hutchison, at Hutchison's request and no more than two (2) times per year, to report on the activities it has undertaken with regard to Commercializing Products in the Territory and to provide a forum for Hutchison to provide feedback regarding such Commercialization activities, which feedback shall be reasonably considered by Lilly in developing its future Commercialization strategy for Products.

4.1(b) Subsequent Commercialization.

(i) Service Territory

Notwithstanding anything to the contrary in Article 4.1(a), as of the end of the Transition Period, Hutchison shall be responsible for P&D Services for Products in the Service Territory. Hutchison may make recommendations to Lilly regarding distributor selections for Products in the Service Territory to be approved by Lilly (such approval not to be unreasonably withheld or delayed). Hutchison shall be responsible for the costs of the P&D Services in the Service Territory (including the discretionary operating expenditures to cover detailing efforts, sales and marketing activities conducted by or on behalf of Hutchison). For clarity, Lilly shall be solely responsible for the expenditures it incurs in conducting Commercialization activities under this Agreement. The Parties shall discuss and decide on key national marketing and medical events for Products in the Service Territory which shall be conducted jointly by Hutchison and Lilly ("**Joint Events**"). Each Party shall be responsible for executing such activities relating to Joint Events as may be agreed between the Parties; provided that in each Calendar Year, Lilly shall be required to incur the following amount of operating expenditures in connection with these activities, being: (X) with respect to the Calendar Year 2020, an amount decided by the Parties based on the P&D Services transition plan under Article 4.1(b)(ii) below but shall not exceed [**], and (Y) with respect the Calendar Year 2021 and each subsequent Calendar Year, the lower of: (i) [**] of the aggregate discretionary operating expenditures incurred by Hutchison in connection with the provision of P&D Services for Products in such Calendar Year and (ii) [**].

(ii) Transition Preparation.

The Parties shall start transition of the P&D Services from Lilly to Hutchison from August 1, 2020 **in** such manner as agreed between the Parties, at each Party's sole expense. Each Party shall use Commercially Reasonable Efforts to ensure that such transition is completed as soon as possible and in any event within two (2) months after August 1, 2020 (the period of transition is hereby referred to as the "**Transition Period**").

(iii) Service requirements

Hutchison shall use Commercially Reasonable Efforts to provide P&D Services for Products in the Service Territory, in compliance with the terms and conditions of the Agreement. Lilly shall retain full responsibility and authority for all Commercialization activities that do not constitute P&D Services in the Service Territory, at its sole expense. Hutchison's performance of P&D Services for Products in the Service Territory shall be consistent with the overall Commercialization Plan approved by JSC.

In the Service Territory, Lilly shall be responsible for making decisions on the bidding for tenders to the hospitals and will work in good faith with Hutchison in the joint preparation and execution of such bids/tenders to ensure a successful outcome.

In all pricing and market access matters, Lilly shall have the final decision-making authority for the Products. Both Parties agree to establish a Joint Pricing & Market Access Committee ("**PMA Committee**") for the purpose of improving execution efficiency only. Hutchison may provide a pricing strategy proposal to Lilly. Lilly may authorize the PMA Committee to make pricing decisions within a range which will be determined solely and reviewed periodically by Lilly ("**PMA Approval Authority**"). The PMA Committee shall facilitate the information exchange for Lilly's approval regarding matters beyond the PMA Approval Authority according to an escalation process to be defined by the Parties and consistent with the Agreement. For the avoidance of doubt, no other rights or obligations of either Party or any committee under the Agreement, such as JSC, are assigned to the PMA Committee.

Lilly shall use Commercially Reasonable Efforts to accept and process purchase orders placed by distributors without delay.

(iv) Commercialization Plan.

The plan for the Commercialization of Products in the Service Territory for each Calendar Year (the "**Commercialization Plan**") shall as a minimum be consistent with terms and content of this Agreement and include: (a) all indications of Products then being pursued in the Service Territory; (b) a description of the Commercialization activities to be conducted by each Party, including key Joint Events, consistent with the terms of this Agreement; (c) the annual Sales Targets; and (d) the budget. In Commercializing Products in the Service Territory under this Agreement, each Party shall comply with and conduct such activities in accordance with the Commercialization Plan.

The JSC shall review and approve the Commercialization Plan of a Calendar Year on or before October 31st of the preceding Calendar Year; provided that the Commercialization Plan of the remainder of the Calendar Year 2020 as of the end of the Transition Period shall be reviewed and approved by the JSC on or before September 15, 2020.

2.12 Article 4.2 of the Agreement shall be deleted and replaced with the following:

4.2 Product Trademark, Labeling; Promotional Materials.

Lilly and/or its Affiliates shall own and be responsible for obtaining and maintaining trademarks for the Products. Hutchison shall be responsible for designing and supplying the promotional materials for the Products in the Service Territory, and Lilly shall be responsible for designing and supplying the product labeling in the Service Territory. For the avoidance of doubt, Hutchison shall obtain Lilly's approval (such approval not to be unreasonably withheld or delayed) for any promotional materials to be used in Joint Events and any promotional materials that bear the logo of Lilly other than that shown on the Product packaging and labeling. Subject to the foregoing Hutchison shall be responsible as to the manner in which Products shall be presented and described to the medical community in any promotional materials and the placement of the names and logos of the Parties therein, in each case as permitted by Applicable Law and consistent with the labeling for the Products approved by the applicable Regulatory Authority. To the extent permitted by Applicable Law, in Commercialization under this Agreement, product labeling shall identify the Products as Manufactured by Hutchison or its approved Third Party Manufacturer.

2.13 Article 5.2(a) of the Agreement — **General Product Responsibilities of Lilly** shall be deleted and replaced with the following:

Lilly shall be responsible for the following activities regarding a Product: (i) facilitating all sales of Product in the Territory, (ii) all government price reporting, calculations, and payment processing obligations, (iii) keeping the Product (following receipt by Lilly) in good condition and with due care and in compliance with all Applicable Laws, (iv) handling all commercial contracting obligations, including managed care, hospitals, government programs and all other commercial agreements, and (v) booking all sales of Products, and collection of outstanding receivables for any Product. Notwithstanding anything to the contrary in the above, following the Second Amendment Effective Date, Hutchison shall be responsible for the P&D Services to the extent that such activities have been transitioned to Hutchison by Lilly.

2.14 Article 5.2(b) of the Agreement — **General Product Responsibilities of Hutchison** shall be deleted and replaced with the following

Hutchison shall be responsible for the following regarding a Product: (i) holding itself or through its Third Party Manufacturer the Manufacturing Authorizations and accordingly being responsible for all government reporting obligations in connection therewith, (ii) making the Product available at suitable warehouses for Lilly to pick up such Product, and (iii) providing Lilly with any information Controlled by Hutchison that Lilly may reasonably request to meet all government reporting obligations for the Product. In addition to the responsibilities of the preceding sentence, following the Second Amendment Effective Date, Hutchison shall be, as between the Parties, further responsible for the performance of P&D Services for Products in the Service Territory to the extent that such activities have been transitioned to Hutchison by Lilly.

2.15 Article 6.1 of the Agreement — **Hutchison Responsibilities** shall be deleted and replaced with the following:

6.1 Hutchison Responsibilities.

Hutchison will be responsible for all regulatory activities [**]

2.16 Article 6.2 of the Agreement — **Lilly Responsibilities** shall be deleted and replaced with the following:

6.2 Lilly Responsibilities.

Lilly will be resnonsible for all Commercialization activities [**]

2.17 Article 7.2 of the Agreement — **Development Milestone Payments** shall be deleted and replaced with the following:

7.2 Development Milestone Payments.

(a) Gastric Cancer Indication. With respect to the first Product to achieve the milestone events below in the 2nd line advanced gastric cancer indication only, Lilly shall pay to Hutchison the Development milestone payments listed below as follows: (i) within thirty (30) days of the earlier of the date of FTO Submission and Lilly's election not to terminate this Agreement pursuant to Article 7.1(c) if the relevant milestone event occurs before such earliest date; or (ii) within thirty (30) days of the milestone event if the relevant milestone event occurs after the date of FTO Submission or Lilly's election not to terminate this Agreement pursuant to Article 7.1(c). Each milestone shall be payable only once upon the first occurrence of the described event for any Product.

Milestone Event	Milestone Payment
[**]	[**]
[**]	[**]
[**]	[**]

(b) Other Indications. With respect to all indications other than the 2nd line advanced gastric cancer indication, Lilly shall pay to Hutchison the Development milestone payments listed below as follows: (i) within thirty (30) days of the earlier of the date of FTO Submission and Lilly's election not to terminate this Agreement pursuant to Article 7.1(c) if the relevant milestone event occurs before such earliest date; or (ii) within thirty (30) days of the milestone event if the relevant milestone event occurs after the date of FTO Submission or Lilly's election not to terminate this Agreement pursuant to Article 7.1(c). Each milestone shall be payable only once upon the first occurrence of the described event for any Product.

Milestone Event	Milestone Payment
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

2.18 Article 7.3(c) of the Agreement — **Fees for Hutchison's P&D Services in the Service Territory** shall be deleted.

2.19 Article 7.5 of the Agreement — **Reports; Payment of Royalty** shall be deleted and replaced with the following

7.5 Reports; Payment of Royalty.

During the Term, following the First Commercial Sale of a Product,

(i) Lilly shall furnish to Hutchison a quarterly written report for the Calendar Quarter showing the number and description of Products sold, Net Sales of Products sold subject to royalty payments sold by Lilly and its Related Parties on a country-by-country basis, if applicable, during the reporting period and the royalties payable under this Agreement (the "**Royalty Report**").

(ii) Up until the end of the Transition Period, Royalty Reports shall be due on the [**] day following the close of each Calendar Quarter and after the end of the Transition Period Royalty Reports shall be due within [**] of the end of each Calendar Quarter.

(iii) Up until the end of the Transition Period, Royalties shown to have accrued by each Royalty Report shall be due and payable on the date such Royalty Report is due.

(iv) From the end of the Transition Period royalties based on Lilly's Net Sales of Products sold subject to royalty payments by Lilly and its Related Parties on a country-by-country basis, if applicable, shall be paid to Hutchison; (a) within [**] after each calendar month for the Calendar Year 2020; and (b) within [**] after each calendar month for each subsequent Calendar Year.

(v) In relation to the royalty payments made under Article 7.5(iv) above a reconciliation shall be carried out at the end of each Calendar Quarter for such Calendar Quarter by Lilly based on the Royalty Report for the calendar months in such Calendar Quarter. As a result of such reconciliation, any adjustment necessary to the actual royalty payable for such Calendar Quarter will be made to or deducted from the royalty for the month immediately following such Calendar Quarter.

(vi) Lilly shall keep complete and accurate records in sufficient detail to enable the royalties payable hereunder to be determined.

2.20 Article 7.6(f). The following shall be added to the Agreement immediately following Article 7.6(e) of the Agreement:

(f) Within the Term of this Agreement, each Party shall have, not more than once per year, at such Party's expense, a right to conduct (itself or through an agent reasonable acceptable to the other Party and subject to confidentiality obligations) an additional audit of the other Party's records relating to the two (2) preceding years for the purpose of evaluating the other Party's Commercialization activities relating to the

Products for compliance with Applicable Law, Article 4.3 of this Agreement and the Compliance Agreement. If such Party identifies any compliance risks in the course of or after conducting such audit, the other Party shall (at its own expense and not accounted for as operating expenditures relating to its Commercialization activities) use its Commercially Reasonable Efforts to implement additional controls, safeguards or other mitigation efforts to address such risks. If such Party identifies any actual material failure to comply with Applicable Law, Article 4.3 of this Agreement or the Compliance Agreement, the other Party shall reimburse such Party for any reasonable expenses such Party incurs in carrying out such audit, and further such Party may take any action required by Applicable Law or exercise any remedy it has under this Agreement (including without limitation under Article 11 or Article 13).

2.21 Article 7.12 Hutchison Service Payments. The following shall be added to the Agreement immediately following Article 7.11 of the Agreement:

7.12 Hutchison Service Payments.

(a) Beginning as of the end of the Transition Period and throughout the Term, Lilly shall pay or cause to be paid to Hutchison the following Hutchison Service Payments (except with respect to sales booked by Hutchison in the SOTC Areas): (i) until December 31, 2021, a payment equal to [**] of the Gross Profit for each calendar month; and (ii) for each subsequent calendar month, a payment equal to [**] of the Gross Profit for such calendar month. The Hutchison Service Payments shall be paid within [**] after each calendar month for the Calendar Year 2020 and within [**] after each calendar month for each subsequent Calendar Year. Such Hutchison Service Payments will be initially based on Lilly's Gross Profit for such calendar month and will be subject to further reconciliation at the end of each Calendar Quarter for such Calendar Quarter by Lilly providing Hutchison with a written report of the actual Gross Profit and Hutchison Service Payments due for the calendar months in such Calendar Quarter. As a result of such reconciliation, any adjustment necessary to the Hutchison Service Payments for such Calendar Quarter will be made to or deducted from the Hutchison Service Payment for the month immediately following such Calendar Quarter. Hutchison shall issue an official invoice to Lilly for each Hutchison Service Payment. A summary in the format as mutually agreed between the Parties setting forth in reasonable details information to support the official invoice shall be provided to Lilly together with each official invoice. With respect to sales booked by Hutchison in the SOTC Areas, Hutchison shall pay to Lilly that portion of Gross Profit that Lilly would have retained pursuant to the preceding sentence had Lilly booked such sales.

(b) The Parties shall discuss, in good faith, supplementing or revising the Sales Targets for Calendar Years in the following situations:

(i) receipt of the GC Approval, in which event, those sales targets attached hereto as Exhibit H in the "2nd-Line Gastric Cancer" row (as amended or supplemented from time to time pursuant to this Agreement) shall be included in Sales Targets (pro rated for the Calendar Year in which the GC Approval is

received and adjusted as a consequence for the subsequent Calendar Years) in accordance with Article 1.86(x) of this Agreement;

(ii) receipt of the outcome of the Phase III clinical trial in 2nd line advanced gastric cancer indication ("**FRUTIGA Study**"), in which event, if the outcome does not meet all of the primary endpoints the Sales Targets shall be adjusted to remove the portion of the Sales Targets related to the 2nd line advanced gastric cancer indication i.e. such Sales Targets related to the 2nd line advanced gastric cancer indication shall be set to zero;

(iii) receipt of Regulatory Approval for a Product in a Life Cycle Planning Indication to include Sales Targets related to such Life Cycle Planning Indication; and

(iv) future Sales Targets for the Calendar Years beyond 2024.

In determining future Sales Targets for the Calendar Years beyond 2024, the Parties will target annual sales growth of ten percent (10%), but any revisions will consider, in good faith, factors such as Development outcomes for Products in Life Cycle Planning Indications, the market share and the competitive landscape of the Products as of December 31, 2024, and relevant and appropriate pricing adjustments including but not limited to further price reductions for NRDL and hospital bidding. If the Parties are unable to reach agreement on such future Sales Targets, the total Sales Targets for such subsequent Calendar Years shall equal the actual Net Sales of the Products for the previous Calendar Year times 1.1.

(c) If, in any Calendar Year from 2021 to 2024, Net Sales for the Products in the Service Territory for such Calendar Year do not constitute (i) prior to receipt of the GC Approval, at least [**] of the Sales Target for 3rd line colorectal cancer for such Calendar Year, or (ii) following receipt of the GC Approval, at least the higher of (i) [**] of the Sales Target for 3rd line colorectal cancer and (ii) [**] of the total Sales Target for such Calendar Year (subject to pro rata adjustment in the first such Calendar Year based on the portion of such year remaining after the GC Approval is received), then the Hutchison Service Payments owed by Lilly to Hutchison under Article 7.12(a) for such Calendar Year shall be reduced by [**]. This amount shall be settled by way of deduction from the Hutchison Service Payments owed by Lilly to Hutchison under Article 7.12(a) for such Calendar Year or any Calendar Year that follows. Notwithstanding the foregoing, the Hutchison Service Payments owed by Lilly to Hutchison under Article 7.12(a) for the Calendar Year 2021 shall not be reduced pursuant to this Article 7.12(c) in the event of any of the following: (i) Net Sales for the Products in the Service Territory for the first three quarters of 2020 constitute less than [**] (ii) as of the end of the Transition Period, the distributors of the carrying an inventory of Products that is greater than a reasonable level (i.e. materially greater than forty-five (45) days of inventory in the aggregate); (iii) as of the end of the Transition Period, Lilly has listings in fewer than one hundred fifty (150) hospitals in the Service Territory; or (iv) during the Transition Period, Lilly

significantly reduces its discretionary operating expenditures in the Products. For the avoidance of doubt, the Hutchison Service Payments owed by Lilly to Hutchison under Article 7.12(a) may not be reduced under this Article 7.12(c) by more than [**] the aggregate over the period 2021-2024.

(d) If, in any two-year cycle beginning in 2025-2026 and repeating for every subsequent pair of Calendar Years (2027-2028, 2029-2030, etc.) until expiration of the last-to-expire Hutchison Patent in the Service Territory covering the composition of matter of one or more Products, Net Sales for such Products in the Service Territory for such two-year cycle do not constitute (i) prior to receipt of the GC Approval, at least [**] of the sum of the Sales Targets for 3rd line colorectal cancer for such two-year cycle, or (ii) following receipt of the GC Approval, at least the higher of (i) [**] of the Sales Target for 3rd line colorectal cancer and (ii) [**] of the sum of the total Sales Targets for such twoyear cycle remaining after the GC Approval is received), then Lilly shall have the right to review, at its request and subject to confidentiality provisions reasonably acceptable to Hutchison but no more stringent than those in Article 9 of the Agreement, and Hutchison shall provide Lilly with supporting documentation to the reasonable satisfaction of Lilly relating to, (x) the discretionary operating expenditures incurred by Hutchison in connection with the P&D Services (the "**Actual Opex**") for such two-year cycle, and (y) the number of salespeople engaged by Hutchison in conducting the P&D Services for such two-year cycle whose primary or secondary detailing product is the Product (the "**Dedicated Salesforce Number**).

(e) If, after review in accordance with Article 7.12(d), Lilly determines that the Actual Opex for such two-year cycle constitutes less than [**] of Net Sales of the Products in the Service Territory for such two-year cycle including Lilly's expenditures on the Joint Events, then the Hutchison Service Payments owed by Lilly to Hutchison under Article 7.12(a) for the following Calendar Year shall be reduced by an amount equal to:

(i) [**] *less* the percentage equal to (A) the Actual Opex for such two-year cycle *divided by* (B) the Net Sales of the Products in service Territory for such two-year cycle, *multiplied by*

(ii) Net Sales of the Products in the Service Territory for such two-year cycle.

(f) If, after review in accordance with Article 7.12(d), Lilly determines that the Dedicated Salesforce Number for either Calendar Year of such two-year cycle is less than three hundred fifty (350), then the Hutchison Service Payments owed by Lilly to Hutchison under Article 7.12(a) for the following Calendar Year shall be reduced by an amount equal to:

(i) [**] less the Dedicated Salesforce Number for such Calendar Year, *multiplied by*

(ii) [**]

(g) In addition to Net Sales (as defined in the Agreement) invoiced by Lilly, "Net Sales invoiced by Hutchison to the Designated Distributors in the SOTC Areas " (as such term is used in the Master Supply Agreement dated as of 23 November 2018 by and among Lilly, Lilly Trading Company Limited and Hutchison) shall be counted in determining the "Net Sales of Products" for the purposes of Articles 7.12(b) to (e) above and the Sales Targets in Exhibit H.

2.22 Exhibit H of the Agreement — **Service Fee Payment Example** shall be deleted and replaced by Appendix 1 of this Second Amendment , and shall be titled Exhibit H — **Sales Targets.**

2.23 Appendix 2 of this Second Amendment shall be added to the Agreement immediately following Exhibit H — **Sales Targets,** and shall be titled Exhibit I — **SOTC Areas** .

2.24 Appendix 3 of this Second Amendment shall be added to the Agreement immediately following Exhibit I — SOTC Areas , and shall be titled Exhibit J — **Compliance Agreement.**

3. Counterparts

This Second Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original and all of which shall together be deemed to constitute one agreement. The Parties agree that execution of this Second Amendment by industry standard electronic signature software or by exchanging PDF signatures shall have the same legal force and effect as the exchange of original signatures, and that in any proceeding arising under or relating to this Second Amendment , each Party hereby waives any right to raise any defense or waiver based upon execution of this Second Amendment by means of such electronic signatures or maintenance of the executed Second Amendment electronically.

4. Entire Agreement

This Second Amendment, together with the Agreement, as amended, constitutes the entire agreement between the Parties with respect to the subject matter of the Agreement. Unless otherwise expressly agreed by the Parties, the Agreement together with this Second Amendment supersedes all prior agreements , whether written or oral, with respect to the subject matter of the Agreement , as amended . The Parties hereby agree that subject to the modifications specifically stated in this Second Amendment , all terms and conditions of the Agreement , as amended, shall remain in full force and effect.

5. Applicable Law and Litigation

It is hereby agreed by the Parties that the Article 15.5 of the Agreement shall apply to this Second Amendment mutatis mutandis.

[signature pages follow]

Each Party is signing this Second Amendment on the date stated below that Party's signature.

HUTCHISON MEDIPHARMA LIMITED

By: /s/ Christian Hogg
Name: Christian Hogg
Title: Director

LILLY (SHANGHAI) MANAGEMENT COMPANY LIMITED

By: /s/ JULIO CESAR GAY GER
Name: JULIO CESAR GAY GER
Title: President and GM

Solely for the purposes of Articles 7.11(a), 7.11(b) and 7.11(c) of the Agreement:

HUTCHISON CHINA MEDITECH LIMITED

By: /s/ Christian Hogg
Name: Christian Hogg
Title: Chief Executive Officer

Exhibit H
Sales Targets

Sales Targets (Chinese Yuan, millions)				
Indication	2021	2022	2023	2024
[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]

Note: Assume the GC Approval will be obtained on January 1st, 2022 and such adjustment for GC Approval is subject to Article 7.12(b).

Exhibit I
SOTC Areas

Fujian Province

Exhibit J

Compliance Agreement

1.0 General Compliance Requirements

1.1 Governance

1.1.1 Hutchison shall ensure that P&D Services are conducted in accordance to the compliance requirements set forth in this Exhibit (hereinafter the "Compliance Requirements"). The application of the Compliance Requirements to the P&D Services is subject to review by the Compliance Committee.

1.1.2 In addition to complying with the Applicable Laws, Hutchison agrees to follow these Compliance Requirements when performing the P&D Services according to the List of Commercialization Activities set out in Section 2.1 below related to the Product(s). Lilly reserves the right to request documentation in accordance with the rights set out in the Agreement.

1.1.3 Before undertaking any new activities in relation to the P&D Services not contemplated in the List of Commercialization Activities, Hutchison must consult with the Compliance Committee to determine any additional Compliance Requirements that may apply to such new activities. Lilly will act reasonably and in good faith regarding the inclusion of such new activities and determining any additional requirements relating to such new activities. Additional requirements will be included into the Compliance Requirements.

1.1.4 Lilly Participation: For Joint Events, the stricter of the Parties' policies and procedures must be satisfied. Each Party is responsible for ensuring that its own company policies and procedures are met.

1.1.5 International Activities: Activities including parties from multiple countries must comply with the Applicable Laws of the country where the activity takes place and with the applicable laws and regulations of the countries of the participants to the activity.

1.1.6 Third Party Service Providers: Hutchison agrees that it will contractually obligate any subcontractor or agent retained to perform the P&D Services pursuant to the Agreement to follow these Compliance Requirements.

1.2 Training

1.2.1 On a yearly basis, Hutchison agrees to formally train all relevant personnel (e.g., employees and subcontractors) in the Compliance Requirements set forth in this Exhibit. Hutchison further agrees to maintain documented records of such training in accordance with the requirements set forth in this Exhibit and the Agreement.

1.3 Monitoring and Reporting

1.3.1 Hutchison must define and implement effective, robust and risk-based monitoring plans for those Commercialization Activities related to the Product(s) or otherwise related to the business relationship established under the Agreement, to ensure their authenticity and legitimacy, and that these activities meet the Compliance Requirements set forth in this Exhibit.

1.3.2 Results of internal audits and monitoring must be discussed at the Compliance Committee meetings, along with the corrections/compensating controls, mechanisms put in place to address the root cause of the findings.

1.3.3 In the case of activities where Lilly funds directly, Lilly reserves the right to monitor those events.

1.3.4 If Hutchison becomes aware of an alleged violation of the Compliance Requirements, Hutchison will report such alleged violation through its company reporting procedure. It will also communicate relevant details of the allegation, as well as any results of follow up and correction, to the Compliance Committee. If required by Applicable Law, Lilly shall have the right to disclose information about allegations of violations of the Compliance Requirements and any such

disclosure shall be in accordance with Article 9.3 of the Agreement and Hutchison will approve such disclosure required by Applicable Law.

1.3.5 Hutchison shall provide Lilly with immediate notice of any governmental or regulatory review, audit, or inspection of its facilities, processes, or Products which relates to the provision of P&D Services which is not in accordance with the Compliance Requirements. Hutchison shall provide Lilly with the results of any such review, audit or inspection. Lilly shall be given the opportunity to provide assistance to Hutchison in responding to any such review, audit, or inspection.

1.4 Policies and Procedures

1.4.1 All internal policies and procedures of Hutchison must be:

- Compliant with the Applicable Laws; and
- Consistent in the use of documentation and review and approval processes with clear oversight and ownership.

2.0 Scope and Principles of Commercialization Activities relating to the P&D Services

2.1 List of Commercialization Activities

Hutchison is responsible to conduct the following Commercialization Activities. Hutchison must not conduct Commercialization Activities outside of the Commercialization Activities listed below:

Commercialization Activities	Explanations (if necessary)
Business meals	No further explanation necessary
Giving items	No further explanation necessary
Handling off label inquiries	No further explanation necessary
Detailing and commercial discussions with to HCPs	This activity excludes detailing to retail pharmacists
Detailing to HCPs: Including retail pharmacists	This activity includes detailing to all HCPs
Sponsoring of Meetings, Events or Initiative: Local sponsorship excluding symposium	This activity only includes local independent meeting without involvement in symposiums
Sponsoring of Meetings, Events or Initiative	This activity includes all meeting sponsorships
Sponsorships of HCPs: Local sponsorships only	This activity includes local meeting organized by Hutchison or by external organizations
Sponsorships of HCPs	This activity includes all meeting organized by Hutchison or by external organizations
Designing *and* distribution of promotional and educational materials (detail aid only)	This activity only includes detail aids used in sales representative interaction i*n* relation to the Product(s)
Designing and distribution of promotional and educational materials	This activity only includes all promotional materials in relation to the Product(s)
Meetings with HCP: To promote, to educate or to inform of the most updated science data	No further explanation necessary
Contracting HCP for services — Speaking Services only	This activity only includes HCP contracted for speaking services
Contracting HCP for services	This activity only includes all HCP services
Giving out samples	No further explanation necessary

Conducting Bids and tenders/formulary/reimbursement interactions	No further explanation necessary
Transparency reporting requirement	No further explanation necessary
Conducting patient support program	This activity includes all programs interacting with patients in relation to the Product(s)
Social media and websites	No further explanation necessary
Organizing advisory board and consultant meeting	No further explanation necessary
Organizing scientific exchange meeting	No further explanation necessary
Conducting customer research activities	No further explanation necessary
Conducting external communications (public}	No further explanation necessary
Conducting patient and consumer activities	No further explanation necessary
Sponsoring a non-HCP to attend a meeting	No further explanation necessary
Providing grants and donations	No further explanation necessary
Interacting with non-HCP government officials	No further explanation necessary

2.2 Compliance Requirements Glossary

Term	Definition
Educational Activities	A company-organized program or event is educational when its objective is primarily to educate an audience about a certain disease state and/or therapeutic area; it may include disease state information and on-label information about non-branded therapeutic treatment options.
Donations	A financial or in-kind contribution, often given to a charitable organization. Donations of the Product or devices may be given to support the needs of a specific segment of population, which, for a variety of circumstances, would not have access to the Product or devices otherwise.
External Communications	Any form of communication in a public forum or any forum accessible by the public that refers to company business, products, or disease states treated (or anticipated to be treated) by company products, policies, or activities or those of competitors, except Scientific Disclosures.
Grant	Support, either financial or in-kind, given to an External Party in response to an unsolicited request to support activities in which Hutchison will have no other active participation or involvement, or given proactively to support programs to help alleviate conditions caused by a natural disaster or humanitarian or health emergency.
Healthcare Professional (HCP)	Any individual who is: ● involved in prescribing and/or dispensing pharmaceutical products to patients, ● a physician, physician's assistant, nurse, nurse practitioner, nurse educator, diabetes educator, clinical investigator, clinical psychologist, pharmacist, pharmacy clerk, Pharmacy and Therapeutics ("P&T") committee member, social worker, case worker, dietician, or office staff, and/or

	● involved in making P&T, access, formulary, purchasing, pricing and/or reimbursement decisions at a private institution (i.e. non-government).
Off label information	Any information about a Product that is not contained in or is not consistent with the package insert approved by the relevant local regulatory agency. Examples include, but are not limited to, unapproved products, indications, dosage forms, dosing schedules, combination therapy, and safety information.
Patient Support Program (PSP)	PSPs involve satisfying a two-way interaction and positive customer experience between Hutchison (or an external party working on Hutchison's behalf) and a patient and/or caregiver. PSPs: ● Help to manage a patient's medication and/or disease (e.g., adherence, awareness, education), and/or ● Provide assistance for medication access, including individual discounts, reimbursement support, free product, or direct financial support.
Commercialization Activities	All informational and persuasive activities by or on behalf of Hutchison, as set out in Section 2.1 of this Exhibit with the intent to encourage: ● the prescribing and/or dispensing of the Product or devices to patients, ● the supply, purchase, and/or use of the Product or devices by an institution or government customer, or ● patients to request the Product (where acceptable under local law).
Personal Information	Any information that, when used alone or in combination with other information, identifies a person (even if pseudonymized) (e.g., a name, address, photo, birth date, phone number, IP address, other online identifiers, etc.). Personal Information does not include anonymous information.
Promotional Activities	**All** informational and persuasive activities by or on behalf of Hutchison, the intent of which is to encourage: ● the prescribing and/or dispensing of a Product to patients, ● the supply, purchase, and/or use of a Product by an institution or government customer, or ● patients to request a Product (where acceptable under local law).
Promotional materials	Promotional materials focus on promoting the Products, devices, and services consistent with the approved label.
Public Relations (PR)	Hutchison's practice of creating an informed understanding or eliciting informed action among its key audiences. Public Relations involves anticipating and interpreting attitudes and issues that may impact the company, counseling management on public ramifications of company action, and conducting programs to impact the awareness, policies, or actions of key audiences. The term Public Relations encompasses activities that relate to disease-state or product media relations or campaigns, and do not involve paid advertising. It also includes media outreach to deliver messages regarding business operations and activities with Hutchison.
Scientific Exchange Meeting	A company-organized program is considered to be scientific exchange in nature when it is designed, with no promotional intent, to address a legitimate need for medical or scientific exchange among Health Care Provider participants who are experts in the scientific field under discussion, and select Hutchison participants having relevant medical and scientific expertise.
Social Media	Internet and mobile-based electronic tools that allow anyone with access to the relevant site to participate in dialogues with others and/or to generate or edit content.
Sponsorship of an HCP to attend a meeting	Providing direct financial support for or reimbursement to an individual HCP (either directly or through a external party vendor) so that the HCP can attend an approved Independent, Health Education, Scientific Exchange, or Promotional Meeting (in person or virtually) or an International Meeting (virtually).

Sponsorship of Meetings, Events, or Initiatives	Providing funding or in-kind services to one or more meetings, events, or educational initiatives offered by an independent organization where the decision to fund is based on an expectation of a benefit to Hutchison. An organization is deemed to be independent when its membership or operations are not controlled by Hutchison in perception or reality, and the organization has decision-making authority over sponsorship activities.

2.3 General Principles of Conducting Commercialization Activities in relation to the P&D Services

These principles are to be applied by Hutchison in all circumstances within the scope of the Commercialization Activities relating to the P&D Services:

2.3.1 Do not buy the business: Do not bribe, offer, provide, authorize or accept anything of value from/ to any party in connection with Products or business - do not even create the appearance of it — in order to inappropriately influence a decision, obtain or retain business, or gain an unfair advantage. Do not engage in unethical or unfair competitive practices. All business activities must be conducted in an authentic and legitimate way that meets genuine business needs and that can ensure that such activities have indeed taken place and documentation accurately reflects them and the expenses associated with them.

2.3.2 Do not promote outside of the approved local label: Only promote Products in a manner consistent with the approved local label, as defined where the Commercialization Activity takes place and where the recipient of the information practices.

2.3.3 Save as otherwise provided in this Exhibit, use only Hutchison approved promotional and educational materials: all materials used for educational and promotional purposes must be approved through the appropriate Hutchison process, *and* not be altered in any way.

2.3.4 Follow sampling rules and regulations: samples may be provided to authorized prescribers to familiarize them with the Product, and to provide an opportunity for them to assess the response to the Product in individual patients.

2.3.5 Do not disguise discounts: Do not offer support to HCPs, Government Officials, or other private or public payers (for example, in the form of grants, donations, or product samples) to disguise discounts. This excludes commercial discounts where employees, whose responsibilities include negotiating commercial transactions, may offer *a*nd contract for commercial discounts in compliance with Applicable Laws.

2.3.6 Protect Personal Information that could identify an individual: Only collect Personal Information that is relevant for the purposes for which it is to be used and only then in a reasonable and lawful manner. Always use reasonable technical, administrative, and physical measures to safeguard Personal Information against loss, theft, and unauthorized uses or modification.

2.3.7 Direct-to-consumer advertisement and promotion of prescription drugs is prohibited under the laws of each jurisdiction within the Territory.

2.3.8 Comply with Applicable Law and principles:

- Hutchison will need to comply with the RDPAC Code of Practice.
- Requests for Information. Hutchison will make all reasonable efforts to comply with reasonable requests for disclosure of information, to enable Lilly to ensure compliance with all Applicable Laws, including anti-corruption laws, and this Exhibit.

- Fair Market Value. Hutchison confirms that any compensation and other benefits payable under the Commercialization Activities under the Agreement are based on a fair market value in exchange for the services to be provided to Hutchison.
- Expenses. Any reimbursable expenses incurred during the performance of the Commercialization Activities under the Agreement must be clearly documented.
- Subcontracting the P&D Services to a CSO. Hutchison agrees that it will not retain any contract sales organization in connection with the performance of the P&D Services without the prior written approval of Lilly such approval not to be unreasonably withheld or delayed.

3.0 Commercialization Activity-related Compliance Requirements

These Commercialization Activity-specific Compliance Requirements must be met by Hutchison in all circumstances within the scope of this Exhibit:

Hospitality:

Hutchison must comply with the following when providing hospitality to HCPs and other third parties:

a. Hospitality must be provided only in conjunction with a specific business purpose and must be incidental in nature.

b. A Hutchison representative must be present at the business activity.

c. Time spent on the primary meeting, event, or activity in relation to incidental hospitality must, in general, account for at least fifty-percent (50%) of the total time.

c. Expenses must be reasonable and not extravagant by local standards.

d. Hutchison must not provide or pay the expenses for HCPs or other third parties to participate in any excursions or other leisure, entertainment, or social activities whether or not they occur in conjunction with the meeting, or other event organized by or Sponsored by Hutchison. Examples of activities that cannot be provided or paid for include but are not limited to: golf, tennis, sporting events, sightseeing, museums, art exhibitions, theatre, and concerts.

e. Hutchison must not pay for guests or companions of participants, unless they are HCP attendees in their own right based on medical or other expertise relevant to the content of the specific meeting or program.

f. Hospitality provided must be recorded accurately, completely, and in a timely manner.

Location and Venue:

When organizing meetings or other Commercialization Activities, Hutchison must comply with the following, and meetings/activities must:

a. Be held in an appropriate venue that is conducive to the objectives and the purpose of the event.

b. Take place in a location:

i. Convenient for the majority of attendees to reach; or

ii. Where the relevant resource or expertise is most readily accessible; or

iii. In coordination in time or place with a major medical congress or independent meeting that most attendees will already be attending.

c. Not take place in a venue that is a resort, renowned, lavish, or extravagant.

Giving items:

All gifts to customers, vendors, HCPs, and any other third parties by Hutchison must comply with all RDPAC Code limitations.

Off- Label Inquiries:

All off label inquiries received must comply with all of the following requirements:

a. Hutchison must inform its employees, subcontractors and agents that Hutchison must not prompt or encourage requests for off label information.

b. Off-Label questions or requests must be directed to authorized medical personnel of Hutchison.

Sponsoring of Meetings, Events or Initiative: Sponsorship excluding symposium

All sponsorship of independent meetings/Only Hutchison must comply with the following:

a. Organizers of Independent Meetings must maintain decision-making authority over all aspects of the meeting.

b. Organizers of Independent Meetings cannot be an individual or group of HCPs who practice together as part of a medical practice group except for professional medical association.

c. Hutchison must ensure that the sponsorship opportunity is available to other parties (i.e. not extended exclusively to Hutchison) and this is documented either in a sponsorship request letter and/or through open sources.

d. Hutchison must ensure that the value of the type(s) and/or level(s) of sponsorship are the same as those offered to all other potential sponsors.

e. Public disclosure (e.g. name of sponsor included in agenda or brochure) of the sponsorship by organizer must be a condition of the sponsorship and such disclosure must occur and be documented.

f. Sponsorship payment must be made directly to the organizer or to a logistics vendor designated and documented by the organizer; payment to the organizer is the preferred means of payment.

g. Hutchison must retain documentation on the sponsorship to demonstrate compliance with the above-mentioned requirements.

Sponsorships of HCPs: Local sponsorships only

Sponsorships of HCPs to attend a meeting must follow the following requirements:

a. Hutchison may fund legitimate, reasonable, and necessary travel and/or registration expenses for HCPs to attend relevant, local/national peer-reviewed, and/or accredited educational forums, organized either by Hutchison or by independent organizations. Hutchison must comply with the following:

b. Selection of HCPs sponsorship recipients must have the ability to understand the language spoken at the forum.

c. Not sponsor HCPs or otherwise provide funding for the purpose of rewarding or incentivizing past, current or future prescribing practices.

d. Section on Hospitality and Location and Venue also apply.

Promotional and Educational Materials: Sales detail aid only

Hutchison must comply with the following requirements when creating and using promotional and educational materials:

a. All Promotional and Educational Materials must be approved through Hutchison internal processes and any applicable external approval process.

b. All Promotional and Educational Materials must be approved in writing by Lilly if the Materials are used in Joint Events or if the Materials bear the logo of Lilly (other than Materials which only show the Product packaging and labeling). The Lilly approval should not be unreasonably withheld or delayed.

c. Existing Promotional and Educational Materials must be reviewed at least once every 2 years for accuracy, this review must be documented.

d. Promotional and Educational Materials must not be altered or changed once approved without following the applicable process for revision.

e. Expired material must be retrieved and destroyed in a timely manner, as determined and documented by Hutchison.

Meetings with HCPs to Promote or Educate:

When organizing or funding meetings with HCPs, Hutchison must comply with the following:

a. Provide HCPs with appropriate and accurate on-label information, considering the location of the meeting and home countries of invited HCPs. Disease state content must be limited to those disease states related to the approved label(s).

b. Participants may not be given, offered or promised compensation for time spent attending a meeting and they must be HCPs for whom the content of the meeting is appropriate based on their medical expertise.

c. Speakers must be selected based on objective criteria such as medical or scientific expertise or knowledge, credentials, background, experience on the particular topic or therapeutic area.

d. Speakers must be trained on the material they will present; if presentation topics include discussion of products, material must match the relevant approved label or the draft label that is expected to be approved. If there are significant changes between draft and final label or in the post-launch label, re-training is required. Speakers must also be trained on how to handle off-label questions. Evidence of training completion must be documented.

e. Product-specific or company branding is required on all promotional materials.

d. Section - Additional Requirements when engaging HCPs, — Hospitality, — Location and Venue, — Promotional and Educational Materials also apply.

Engaging Third Parties:

If Hutchison engages agents, subcontractors or HCPs to perform Commercialization Activities pursuant to the Agreement:

a. There must be a written agreement governing such relationship. The agreement must:

- Include a clear description of services/deliverables to be provided and compensation for such services.
- Name the provider of the services as the contracting party and the recipient of the payment.
- In general, require that payments be only made to the contracting party named in the contract and no payments "via agencies or other third parties" are allowed.
- Include adequate confidentiality, anti-corruption and, if applicable, privacy language.
- Be signed before any services or goods are delivered.

b. Compensation:

- Must be commensurate with the work performed or good supplied and reflect fair market value (i.e. reasonable and customary for the country where the third party is located).
- For any payments made outside of the country in which the services are rendered and/or the goods are supplied, Hutchison must ensure that it has in place a robust vetting process prior to payment to evaluate the justification *and* legality of such payment.
- And/or expense reimbursement must not be provided in cash or cash equivalent.

c. Facilitating payments or gifts of any value, given to an individual to secure or expedite the performance of a routine government action by a government official, are not allowed.

d. Compensation to gain access or communicate with someone is not allowed, unless there are standard access fees charged to all other pharmaceutical company representatives by the institution or organization.

e. When engaging a third party who will interact with HCPs or other Government Officials, Hutchison must conduct an appropriate level of due diligence on the third party.

Additional Requirements when engaging HCPs:

When engaging HCPs, in addition to the requirements in Section 2.3.1 of this Exhibit, Hutchison must:

a. Comply with any transparency and/or disclosure requirements set forth by Applicable Laws.

b. Ensure contract language includes a clause regarding public disclosure of the HCPs' relationship with Hutchison.

c. Ensure HCPs shall not be compensated for programs/activities where the speaker and participants come from the same department of a hospital.

d. Define and track a cap on the total amount of annual compensation it will pay to an HCP in connection with any engagement related to this Exhibit.

Giving out samples:

When giving out samples, Hutchison must comply with the following requirements to the extent it is required under RDPAC Code of Practice:

a. Samples can only be provided if allowed by Applicable Laws and in the quantities allowed by Applicable Laws.

b. Samples must be provided in accordance with GSP requirements and not for HCPs' personal use.

c. Must never be sold, bartered, or exchanged for anything of value, or given for patient maintenance.

d. Samples must be clearly marked as such and in accordance with Applicable Laws.

e. Use of commercial product in lieu of samples is not allowed.

f. Must not be distributed in the month they expire or if already expired.

g. Sample reconciliation must take place periodically, and the results must be documented.

Pharmacy Interactions:

Hutchison must comply with Applicable Laws and the following requirements when interacting with pharmacies and/or pharmacy-personnel to the extent it is required under RDPAC Code of Practice:

a. Ensure there is a clear understanding of existing Applicable Laws with regard to permissions to dispense and/or prescribe medications by licensed pharmacists or other pharmacy personnel, recognizing that these Applicable Laws may vary depending on the product or therapeutic class.

b. Do not promote to pharmacists if they are not allowed by law to initiate prescriptions and/or switch patients from one product to another.

c. Any programs involving any transfer of value or payment to pharmacy chains, pharmacies, pharmacists, or pharmacy personnel (e.g. commercial programs including but not limited to volume discounts / shelf rental space for appropriate materials / data purchase / production flyers, pharmacist training or meetings, etc.) must:

i. Be conducted according to clear, locally established criteria for selection of pharmacies and must include rationale for the services to be provided;

ii Reflect an appropriate fair market value compensation for the services;

iii. Be documented in a written agreement with the pharmacy that outlines the specific terms and requirements for the program, and the payment or other transfer of value.

d. Ensure transfers or value or payment is not issued prior to confirming the delivery of contracted services in a manner consistent with the documented terms.

e. Ensure that any programs or services described under this section are rendered.

Patient Support Program:

Hutchison must comply with Applicable Laws and the following requirements when conducting a patient support program to the extent it is required under RDPAC Code of Practice:

a. Objective of the program to be focusing on disease management including but not limited to device training and disease education.

b. Program must be non-promotional. For product related program, only patients prescribed with Product(s) is allowed to be part of the program.

c. Program must not be giving personal treatment and medical advice. All medical and treatment information must be in, or consistent with, the approved label. Specific information related to the use of the Product must be according to the recommendation by the treating physician.

d. Program must be owned by a non-commercial function and must be reviewed and approved through appropriate process.

e. All patient support program must be reviewed and approved in JSC as part of Commercialization Plan.

Social Media and Websites:

Hutchison must comply with Applicable Laws and the following requirements using social media and websites as a communication tool:

a. Social media and websites must only be used to communicate specific information to the intended audience. It must not be used or give the appearance that it is advocating, promoting or implying an off-label use of any Products.

b. Websites must consist of the necessary elements stating the terms of use, copyright and trademark information and privacy statement.

c. All the website requirements including site security, contents, disclaimer, links to external sites, analytic tools must be tested and reviewed and approved through Hutchison's internal process.

d. All social media and websites must be reviewed and approved through Hutchison's internal process.

Conducting Speaker Training and Consulting Activities:

a. Attendees of the above activities must be selected based on the medical or scientific expertise or knowledge, credentials, background and experience regarding the topic of therapeutic area.

b. Contracting of HCPs must follow the requirements of Section- Engaging Third Parties and -Additional Requirements When Engaging HCPs. For HCPs was compensated for time spent attending speaker training and/or reimbursed associated air travel expenses, Hutchison must document evidence that the HCP has served as a speaker after the training.

c. Agenda and materials of the meeting must be reviewed and approved through Hutchison's internal process. Minutes from discussion of consulting activity must be documented.

d. Must follow requirements in Section — Hospitality, — Location and Venue, — Promotional and Educational Materials.

Conducting Scientific Exchange Meeting (SEM):

a. The meeting must only be conducted to facilitate scientific exchange among HCP experts with respect to the latest advances in health research, disease management, and scientific information on investigational molecules or products recently disclosed by Lilly.

b. SEM can only be conducted and attended by medical employees.

c. Participants of the SEM must be experts in the scientific field being discussed with eligibility criteria determined by meeting owner. Participants list must be approved prior to invitation

d. Must follow requirements in Section: Engaging Third Parties and Additional Requirements When Engaging HCPs, Section: Hospitality, Location and Venue.

Conducting Customer Research:

a. Customer research must only be conducted to gather information to get clarity on a specific business decision. It must not be conducted to promote and solicit the Product(s) or to influence the opinions of respondents.

b. Participants selected for the customer research must be fair and justified to achieve statistical precision required for the business decision. Only travel expenses can be compensated to the participants of the customer research.

c. Hutchison must be able to provide documented evidence of the outcome of the research and utilization of the results for the business decision.

d. Must follow requirements in Section: Engaging Third Parties and Additional Requirements When Engaging HCPs, Section: Hospitality, Location and Venue.

Conducting Public Relation Activities:

a. Hutchison must not improperly promote the Products in its PR activities or include in any PR activities any pre- approval promotion information (or giving the appearance of doing so).

b. Hutchison must not pay patients or their caregivers for participating in, at Hutchison's request, media, testimonial, campaigns/briefings and/or other PR events. Only travel expenses can be compensated to the participants of the PR events.

c. Hutchison may engage HCPs and/or third-party services in their professional role for participating in, at Hutchison's request, media campaigns/briefings and/or other PR events. Must follow requirements in: Engaging Third Parties and Additional Requirements When Engaging HCPs.

Providing Grants and Donations:

a. Grants and donations must not be provided inappropriately to gain business advantage.

b. All grants and donations requests must be unsolicited and must be submitted through an institution.

c. Grants and donations must be handled by the appointed Hutchison committee through a documented process of receipt of applications, application review and evaluation, decision making and communication of outcome to the request.

d. Hutchison must conduct necessary anti-corruption due diligence on the requester as part of the evaluation process.

Sponsorship of non-HCPs:

Sponsorships of non-HCPs to attend a meeting must follow the following requirements:

a. Hutchison must not sponsor non-HCPs inappropriately to get business, keep business or gain improper advantage. Sponsorship provided to non-HCPs must be transparent and properly documented.

b. Hutchison may fund legitimate, reasonable, and necessary travel and/or registration expenses for non-HCPs to attend relevant, local/national peer-reviewed, and/or accredited educational forums, organized either by Hutchison or by independent organizations.

c. Selection of non-HCPs sponsorship recipients must be based on medical education-related documented criteria and ability to understand the language spoken at the forum.

Interaction with non-HCP Government Officials:

All interactions with non-HCP government officials must follow the following requirements:

a Hutchison must identify designated employee who have authority to interact with government officials on Hutchison's behalf as part of their job responsibilities. Training specific to interacting with government officials must be provided by Hutchison to the designated employee.

Exhibit 8.1

List of Significant Subsidiaries of Hutchison China MediTech Limited

Hutchison MediPharma Limited (PRC)

Hutchison MediPharma International Inc. (United States)

Hutchison Whampoa Sinopharm Pharmaceuticals (Shanghai) Company Limited (PRC)

Hutchison Hain Organic (Hong Kong) Limited (Hong Kong)

Hutchison Healthcare Limited (PRC)

Hutchison Consumer Products Limited (Hong Kong)

Shanghai Hutchison Pharmaceuticals Limited (PRC)*

Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (PRC)*

*non-consolidated entities

Exhibit 12.1

CERTIFICATION

I, Christian Hogg, certify that:

1. I have reviewed this annual report on Form 20-F of Hutchison China MediTech Limited (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 4, 2021

By: /s/ Christian Hogg
Christian Hogg
Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Johnny Cheng, certify that:

1. I have reviewed this annual report on Form 20-F of Hutchison China MediTech Limited (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 4, 2021

By: /s/ Johnny Cheng
Johnny Cheng
Chief Financial Officer

Exhibit 13.1

906 Certification

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Ladies and Gentlemen:

In connection with the annual report of Hutchison China MediTech Limited (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Christian Hogg, the Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certificate has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 4, 2021

By: /s/ Christian Hogg
Name: Christian Hogg
Title: Chief Executive Officer

Exhibit 13.2

906 Certification

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Ladies and Gentlemen:

In connection with the annual report of Hutchison China MediTech Limited (the "Company") on Form 20-F for the year ended December 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Johnny Cheng, the Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certificate has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 4, 2021

By: /s/ Johnny Cheng
Name: Johnny Cheng
Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-240180, No. 333-224391 and No.333-212406) and Form F-3 (No. 333-237574) of Hutchison China MediTech Limited of our report dated March 4, 2021 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers
Hong Kong
March 4, 2021

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-240180, No. 333-224391 and No.333-212406) and Form F-3 (No. 333-237574) of Hutchison China MediTech Limited of our report dated March 3, 2020 relating to the consolidated financial statements of Nutrition Science Partners Limited, which appears in this Annual Report on Form 20-F of Hutchison China MediTech Limited.

/s/ PricewaterhouseCoopers
Hong Kong
March 4, 2021

Exhibit 15.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-240180, No. 333-224391 and No.333-212406) and Form F-3 (No. 333-237574) of Hutchison China MediTech Limited of our report dated March 4, 2021 relating to the consolidated financial statements of Shanghai Hutchison Pharmaceuticals Limited, which appears in this Annual Report on Form 20-F of Hutchison China MediTech Limited.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China
March 4, 2021

Exhibit 15.4

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-240180, No. 333-224391 and No.333-212406) and Form F-3 (No. 333-237574) of Hutchison China MediTech Limited of our report dated March 4, 2021 relating to the consolidated financial statements of Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited, which appears in this Annual Report on Form 20-F of Hutchison China MediTech Limited.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Guangzhou, the People's Republic of China
March 4, 2021

Exhibit 15.5

4 March 2021

Matter No.: 832946
Doc Ref: 106821340
(852) 2842 9595
Felicity.Lee@conyers.com

Hutchison China MediTech Limited
48th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Dear Sirs

Re: Hutchison China MediTech Limited (the "Company")
Annual Report on Form 20-F

We hereby consent to the filing of this letter as an exhibit to the Company's annual report on Form 20-F for the year ended 31 December 2020 with the U.S. Securities and Exchange Commission and to the inclusion therein of the reference to our name on page 193 of the annual report under the heading "Taxation – Overview of Tax Implications of Various Other Jurisdictions – Cayman Islands Taxation" in the form and context in which they appear. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the Rules and Regulations of the U.S. Securities and Exchange Commission thereunder.

Yours faithfully

/s/ Conyers Dill & Pearman
Conyers Dill & Pearman