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Beijing Biostar Pharmaceuticals Co., Ltd.

北京華昊中天生物醫藥股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2563)

SUPPLEMENTAL ANNOUNCEMENT

SUBSCRIPTION OF FUNDS AND TEMPORARY DEVIATION FROM THE USE OF IPO PROCEEDS

Reference is made to the announcement of Beijing Biostar Pharmaceuticals Co., Ltd. (the “**Company**”) dated 25 February 2025 (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those set out in the Announcement.

To improve the efficiency and flexibility of fund usage while ensuring compliance with the Company’s fund management regulation and internal control procedures, upon approval by the Company’s General Manager’s Office (總經理辦公會) on November 20, 2024, Biostar Pharma, Inc. (the “**US-Biostar**”), a wholly-owned subsidiary of the Company, subscribed for a principal-and-return-guaranteed fund using its self-owned idle money in the amount of US \$5.0 million (the “**Investment**”). The fund manager of the Investment is LFM Oversea Investment Fund SPC (the “**LFM Fund manager**”) is an exempted company incorporated under the laws of the Cayman Islands on 5 July 2018 and an independent third party of the Company and the Company’s connected persons. The LFM Fund manager is registered with the Cayman Islands Registrar of Companies as a “Segregated Portfolio Company” and is regulated by Cayman Islands Monetary Authority as a private fund.

The principal terms of the Investment are summarized as follows:

Date	22 November 2024
Parties	(i) Biostar Pharma, Inc. (ii) LFM Oversea Investment Fund SPC, an independent third party to the Company and its connected persons
Fund	A segregated portfolio company duly incorporated under the laws of the Cayman Islands.

Investment Target	A Segregated Portfolio, the underlying assets comprise fixed income instruments
Investment Amount	US\$5 million
Term of the Fund	Maximum one-year
Redemption	Investors are entitled to redeem their investments in tranches, with redemption form submitted at least one-month in advance. Subject to the liquidity conditions of the underlying projects and the status of the underlying assets, investors may negotiate with the Fund regarding the redemption schedule.
Fees	A total of 0.5% in subscription and redemption fees (collectively) shall be charged, while the management fee is set at 0%. Such fees shall be deducted in a lump sum upon the investor's final redemption. For the avoidance of doubt, no subscription or redemption fees shall be levied for any multiple subscriptions or redemptions made by an investor prior to the expiration of the investment period.
Guarantee	An irrevocable commitment is made to cover any shortfall in the investment principal for US-Biostar's subscription to the Fund, and to ensure the achievement of a 3% annualized return on investment for US-Biostar. Joint and several guarantee responsibilities are formally assumed for this commitment.

The Company was unaware of any potential relationship between the LFM Fund manager and the Company's cornerstone investor at the time of the fund subscription. It was not until the auditor reminded the Company on 11 March 2025 of certain possible relationship between the two that the Company discovered that the name of the director of the LFM Fund manager overlapped with the name of the ultimate beneficiary of the fund manager for a cornerstone investor of the Company.

According to the Company's previous disclosures in the Prospectus, the fund manager of the Company's cornerstone investor, SilkyWater Absolute Return LPF ("**SilkyWater Absolute Return**"), is SilkyWater Asset Management. The shareholder of SilkyWater Asset Management is Water Wealth Holdings Limited, with Tan Kok Hui holding 52.5% of the equity and the remaining 47.5% held collectively by three other independent third parties.

However, pursuant to the due diligence documents provided by the LFM Fund manager, it appears that the personal details of Tan Kok Hui ("**Mr. Tan**") have no connection with SilkyWater Asset Management. Therefore, when the Company later learned that one of the directors of the LFM Fund manager was Mr. Tan, it focused more on his qualifications and investment experience without being aware of his possible connection to SilkyWater Asset Management.

It was not until the auditor reported the audit progress to the Audit Committee on 11 March 2025, reminding the Company to consider whether this matter constituted a connected person under the Listing Rules and whether it should be announced or disclosed, that the Company discovered through a

review of past materials that the director's name in the documents provided by the fund manager overlapped with the ultimate beneficiary name disclosed in the company's prospectus for SilkyWater, namely Tan Kok Hui. Therefore, the Company could not know whether the Mr. Tan in the documents provided by the LFM Fund manager was the same person as the Tan Kok Hui disclosed as one of the Ultimate Beneficial Owner of SilkyWater Asset Management in the Company's prospectus at the relevant time of LFM Subscription.

In hindsight, analyzing the situation, Mr. Tan, as a professional investor and experienced fund industry practitioner, holding equity in SilkyWater Asset Management, does not preclude his rights to serve as a director or fund manager of other companies. It is common for well-known investors in the market to simultaneously serve as directors or fund managers of multiple companies, and Mr. Tan is no exception. More importantly, the Company's investment in the LFM back at the relevant time was diligently made after thorough and careful evaluation, in line with its independent decision-making process for investment and in compliance with its internal control procedures; and was not, and would not be, influenced by whether the two Mr. Tan were the same person.

During the payment process, US-Biostar's online banking transfer service was temporarily suspended due to bank security reviews, causing the failure of transfer of US\$1.5 million among the total Investment amounts. In order to avoid default on such outstanding payment, US-Biostar entered into an agreement with the Company for a temporary bridging loan, with a term not exceeding one month. On 28 November 2024, an amount of US\$1.5 million from the IPO proceeds (due to no other USD fund available) was lent to US-Biostar to complete the subscription payment. Upon US-Biostar's representative return to the U.S. on 23 December 2024 and the reactivation of US-Biostar's bank account, the US\$1.5 million had been transferred back to the receiving bank account for Company's IPO proceeds in full prior to 26 December 2024.

For the avoidance of doubt, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for this Investment does not exceed 5% and therefore does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Nor does the Investment constitute a connected transaction under Chapter 14A of the Listing Rules.

The above-mentioned temporary deviation in IPO proceeds usage was caused by the inadvertent and genuine misunderstanding on the part of the Company, which misunderstood that the temporary bridging loan was intra-group in nature and could be funded by the IPO proceeds for working capital and general corporate purposes. The Investment, the temporary bridging loan and the full recovery of such loan were conducted and completed in accordance with the Company's internal procedures during the period of November and December 2024. Therefore, it was not disclosed in the Announcement, nor was it a reoccurrence of similar incident thereafter.

The Company wishes to emphasize that the temporary deviation from the use of the IPO proceeds was an inadvertent oversight, the fund has been fully recovered in a timely manner, and the arrangement has not caused any adverse impact on the subsequent normal use of the IPO Proceeds in accordance with the stated purposes as disclosed in the Prospectus or on the normal operations of the Company.

To avoid similar situations in the future, the Company has enhanced its internal control procedures and taken the following Remedial Measures, with the respective timetable outlined below:

Remedial Measures

Timetable

(i) **Training on Listing Rules:** The Directors, supervisors, senior management and responsible employees of the Company have received training regarding the relevant requirements of the Listing Rules. In the future, additional training on regulatory compliance will be scheduled regularly to enhance their understanding of the importance of compliance with the Listing Rules and to reduce the risk of recurrence of incidents;

The first training, provided by a Hong Kong solicitors' firm, has been completed on 20 February 2025.

The second training on Listing rule (especially Chapter 13) and Guidelines on disclosure of inside information has been completed on 1 April 2025. The training was conducted by the lawyer from the legal department of the Company.

(ii) **Enhanced communication with compliance advisor:** The Company will strengthen communication with the compliance advisor to improve its familiarity with the Listing Rules; and

From 3 March 2025 to date, the Company has been frequently communicating with the compliance advisor regarding the compliance issues of the Investments to improve its familiarity with the Listing Rules.

Going forward, the Company plans to communicate with the compliance advisor whenever the Company is required to disclose information to the public (including but not limited to monthly returns, announcements, circulars, and financial reports, etc.), and whenever the Company comes across other ad hoc transaction from time to time, to ensure compliance with the Listing Rules. In case of any uncertain issues (including investment matters and use of the IPO Proceeds), the Company will consult with the compliance advisor in a timely manner to satisfy compliance requirements.

Remedial Measures

- (iii) The Company shall review its business plans for the upcoming quarter and proactively engaging with its compliance advisor and Hong Kong legal advisor of the Company on a quarterly basis to discuss the regulatory requirements applicable to new business matters and seek opinions regarding ad hoc matters, from the compliance advisor and the Hong Kong legal advisor of the Company, respectively;
- (iv) **Strict adherence to the use of IPO Proceeds:** The Company will strictly apply the IPO Proceeds in accordance with the purposes set out in the Prospectus. If there is a need to use the IPO Proceeds for other purposes in the future, the Company will perform the necessary approval procedures, consulted with compliance advisor and the PRC legal advisor of the Company, and disclosure obligations regarding changes to the use of the IPO proceeds in accordance with the requirements of the Listing Rules and the Articles of Association to ensure the compliant use of IPO proceeds.

The Company believes the above Remedial Measures will effectively address the misunderstanding issue. With the trainings received and with the “Measures for the Administration of Raised Funds” (《募集資金管理辦法》) passed by the Board and taking effect, the Company will strictly follow the policies and guidelines set therein when carrying out fund raising activities. The Company will consult with its compliance and legal advisors with respect to compliance issues in a timely matter and on a regular basis; and the Company also plans to engage an external internal control consultant to enhance its internal control systems to prevent re-occurrence of similar incidents in the future.

Timetable

Communication with the compliance advisor and legal advisor is expected to be completed by the end of June 2025.

The “Measures for the Administration of Raised Funds” (《募集資金管理辦法》) which is applicable to the Company as a Hong Kong-listed company, have been reviewed and amended by all Directors of the Company, and was approved by the Board and became effective on 25 April 2025.

By order of the Board
Beijing Biostar Pharmaceuticals Co., Ltd.
北京華昊中天生物醫藥股份有限公司
Dr. Tang Li
Chairperson and Executive Director

Beijing, the PRC, 30 May 2025

As at the date of this announcement, the Board comprises (i) Dr. Tang Li, Dr. Qiu Rongguo, Mr. Zhang Cheng and Dr. Guan Jin as executive Directors; (ii) Mr. Tang Jin and Ms. Dai Xuefen as non-executive Directors; and (iii) Dr. Meng Songdong, Mr. Shiu Shu Ming and Dr. Ye Chengang as independent non-executive Directors.