Application Proof of

Beijing Health Guard Biotechnology Inc.
北京康樂衛士生物技術股份有限公司

(the "**Company**")

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

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Beijing Health Guard Biotechnology Inc.

北京康樂衛士生物技術股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of Hong Kong [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**RMB1.00 per H Share**
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IMPORTANT

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EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read this Document in its entirety before you decide to [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the risks involved in* [**REDACTED**] *in the* [**REDACTED**] *are set out in the "Risk Factors" section in this Document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**]. *In particular, we are a biotechnology company seeking to* [**REDACTED**] *on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules as we do not meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with* [**REDACTED**] *in companies like ours. Your* [**REDACTED**] *decision should be made in light of these considerations.*

OVERVIEW

Who We Are

We are a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, on the path to becoming a biopharma company. Our three-asset HPV vaccine franchise presents high commercial visibility and is leading the industry to address the needs of different underserved populations. Our near-commercial trivalent HPV vaccine candidate, a Core Product, is uniquely designed to protect females in East Asia, with a BLA expected to be filed in China by the end of 2024. Our phase III stage nonavalent HPV vaccine candidate, another Core Product, is expected to be one of the first homegrown nonavalent HPV vaccines approved for use in females, with a planned BLA filing in China in 2025, and the first homegrown nonavalent HPV vaccine candidate to have commenced pivotal efficacy trial in males in China. We are also actively developing our nonavalent HPV vaccine candidate overseas, with a phase III clinical trial ongoing in Indonesia in females, and a BLA expected to be filed with the Indonesian BPOM in 2025. Our phase I-ready 15-valent HPV vaccine candidate is of the highest-valency among all HPV vaccines worldwide that are commercially available or have obtained IND approval. We are also developing six pre-clinical vaccine candidates that target disease areas with unmet medical needs or necessitating vaccine upgrades.

The following table summarizes our vaccine pipeline and their respective development stage as of the Latest Practicable Date.

Category	Disease/Virus	Vaccine candidate		Discovery	Pre-clinical	Phase I	Phase II	Phase III	Upcoming milestone
Recombinant vaccine	HPV	Trivalent HPV Vaccine ★		China					BLA to be submitted in 2024
		Nonavalent HPV Vaccine ★	Female Indication[1]	China					BLA to be submitted in 2025
				Indonesia					BLA to be submitted in 2025
			Male Indication[2]	China					BLA to be submitted in 2027
		15-Valent HPV Vaccine[3]		China					Phase I to be initiated in 2024
	RSV	Bivalent RSV Vaccine							IND to be submitted in 2024
	VZV	Herpes Zoster Vaccine							IND to be submitted in 2024
	Norovirus	Heptavalent Norovirus Vaccine							IND to be submitted in 2025
	HFMD	Quadrivalent HFMD Vaccine							IND to be submitted after 2025
	Polio	Polio Vaccine							IND to be submitted after 2025
mRNA vaccine	HPV	Bivalent Therapeutic HPV Vaccine							IND to be submitted in 2025

★ **Core Product**

HPV = human papillomavirus; RSV = respiratory syncytial virus; VZV = varicella zoster virus; HFMD = hand, foot and mouth disease

Notes:

1. Per the CTA approval from the Indonesian BPOM, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate directly without having to conduct phase I & II clinical trials in Indonesia.

2. Per the IND approval from the NMPA, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in males after completing a phase I clinical trial in males in China.

3. We and Chengda Biotechnology are collaborating on the development of a 15-valent HPV vaccine candidate. For details, see " Business – Our Collaboration Agreement."

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR VACCINE CANDIDATES, INCLUDING OUR CORE PRODUCTS, NAMELY THE TRIVALENT HPV VACCINE CANDIDATE AND THE NONAVALENT HPV VACCINE CANDIDATE.

Our Market Opportunities

HPV vaccine is one of the most effective vaccines in the world. Being the bestselling vaccine product in China and globally in 2022, according to Frost & Sullivan, HPV vaccine is among the most commercially-successful vaccines in the world. Vaccination is the recommended prevention strategy for HPV, which is a main cause of many cancers, including cervical cancer. The WHO recommends that, by 2030, 90% of females complete HPV vaccination before the age of 15. In addition, many governments worldwide are raising awareness about disease risks associated with HPV in male populations. As of 2022, 47 countries have introduced HPV vaccine in their national immunization program for boys.

As of the Latest Practicable Date, there are six HPV vaccines approved for use in females globally, including three bivalent vaccines (Cervarix, Cecolin and Walrinvax), two quadrivalent vaccines (Gardasil and Cervavac) and a nonavalent vaccine (Gardasil9). As of the same date, Gardasil and Gardasil9 are the only HPV vaccines approved for use in males globally. According to Frost & Sullivan, the supply of the six approved HPV vaccines in the world was approximately 80 million doses in 2022 and covered only 40 million people assuming each person receives two doses to be fully vaccinated. As such, in 2022, globally the HPV vaccination rate for females and males aged below 15 stands at 15% and 5%, respectively. Furthermore, primarily due to supply shortage and varying immunization awareness, HPV vaccination rate is uneven across the world, higher in females aged below 15 in developed countries, such as 86% and 69% in Canada and United States, and lower in females aged below 15 in developing countries, such as 6% in Indonesia.

Notwithstanding the huge market need for HPV vaccines, China's HPV vaccine market is significantly underserved due to limited supply of HPV vaccines. Five HPV vaccines have been approved for use in females in China, namely Cervarix, Cecolin, Walrinvax, Gardasil and Gardasil9 as of the Latest Practicable Date. As of the end of 2022, only approximately 29.2 million females aged between 9 to 45 in China were fully vaccinated against HPV, which translates to a low vaccination rate for females aged between 9 to 45 of 9.36%, according to Frost & Sullivan. Furthermore, as of the Latest Practicable Date, there is no HPV vaccine approved for use in males in China. For details, see "Industry Overview – HPV Vaccines – HPV Vaccine Market."

OUR VACCINE CANDIDATES

Our HPV Franchise

We initiated HPV vaccine R&D in 2008, making us one of the first PRC companies to engage in HPV vaccine development. To address the needs of different population segments with varying abilities to pay and needs for protection against HPV-associated diseases, we have built an HPV vaccine franchise comprising the following three candidates:

- ***Near-commercial trivalent HPV vaccine candidate.*** Our trivalent HPV vaccine candidate is designed to protect females in East Asia, where HPV types 16, 18 and 58 are the three most prevalent HPV types detected in cervical cancer cases. As such, our trivalent HPV vaccine candidate can increase the protection against cervical cancer from 70% as provided by the licensed bivalent and quadrivalent HPV vaccines to 78% for women in East Asia. With a favorable safety and immunogenicity profile demonstrated in phase I and II clinical trials, our trivalent HPV vaccine candidate is under a phase III clinical trial in females, with follow-up visits of subjects completed for 30 months post the first dose. We are in the process of carrying out the follow-up visits for 36 months post the first dose and expect to submit a BLA application for our trivalent HPV vaccine candidate by the end of 2024.

- ***Phase III stage nonavalent HPV vaccine candidate.*** Our nonavalent HPV vaccine candidate is expected to be one of the first homegrown nonavalent HPV vaccines licensed for use in females. In addition, we are the first Chinese vaccine developer to have commenced a pivotal efficacy trial of nonavalent HPV vaccine candidate in males in China. We are also expanding into international markets with a phase III clinical trial ongoing in Indonesia. Based on the *Technical Guideline for Clinical Trials of Human Papillomavirus Vaccine (Trial version)* ("**HPV Vaccine Guideline**") published by the CDE in July 2023, our nonavalent HPV vaccine candidate is potentially eligible for the accelerated approval pathway. We plan to rapidly advance the ongoing clinical trials and expect to file a BLA for our nonavalent HPV vaccine candidate for use in females in both China and Indonesia in 2025.

- ***Phase I-ready 15-valent HPV vaccine candidate.*** We and Chengda Biotechnology have obtained IND approval for our 15-valent HPV vaccine candidate in China, which is of the highest-valency among all the HPV vaccines worldwide that are commercially available or have obtained IND approval as of the Latest Practicable Date. By covering all high-risk HPV types identified by the IARC, our 15-valent HPV vaccine candidate can potentially increase protection against cervical cancer to above 96%. In immunogenicity studies in mice, our vaccine candidate elicited strong immune responses against each vaccine HPV type. We are collaborating with Chengda Biotechnology on the development, manufacturing and commercialization of the 15-valent HPV vaccine candidate. We have the clinical samples of the 15-valent HPV vaccine candidate ready for phase I and phase II trials. Pursuant to the 15-valent HPV Vaccine Co-development Agreement, Chengda Biotechnology is expected to initiate a phase I clinical trial in 2024.

Our comprehensive HPV vaccine franchise enables us to achieve synergies in R&D, clinical trial and future commercialization of our HPV vaccine candidates. Our HPV vaccine candidates all employ *E. coli* expression system for production and share the same mechanism of action. Furthermore, according to the HPV Vaccine Guideline issued by the CDE of the NMPA, we may receive accelerated approval for our nonavalent HPV vaccine candidate with PI12 efficacy data after we have achieved success in the phase III efficacy trial of our trivalent vaccine candidate using the CIN2+ disease endpoint in China.

Other Vaccine Candidates

In addition to our HPV vaccine franchise, we are also developing six other vaccine candidates that target disease areas with unmet medical needs or necessitating vaccine upgrade.

- ***RSV vaccine candidate.*** We are developing an RSV vaccine candidate that is designed based on the RSV fusion (F) glycoprotein. In preliminary immunogenicity studies in mice, our RSV vaccine candidate generated high titers of neutralizing antibodies against recombinant RSV. We currently plan to submit an IND application for our recombinant RSV vaccine candidate to the NMPA by the end of 2024.

- ***Herpes zoster vaccine candidate.*** We are developing a recombinant herpes zoster vaccine candidate that is formulated with a novel adjuvant. Preliminary studies for our herpes zoster vaccine candidates in mice indicate that it is able to elicit robust humoral and cellular responses that are comparable to those induced by a licensed herpes zoster vaccine. We currently plan to submit an IND application for our recombinant herpes zoster vaccine candidate to the NMPA by the end of 2024.

- ***Heptavalent norovirus vaccine candidate.*** We are developing a heptavalent norovirus vaccine candidate that is designed to protect against norovirus types GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17, which, compared to the highest-valency norovirus vaccine candidate currently under clinical development, can further enhance protection against norovirus-induced acute gastroenteritis. Preliminary immunogenicity studies indicated that our norovirus vaccine candidate can generate robust HBGA-blocking antibodies against all vaccine norovirus types. We currently plan to submit an IND application for our recombinant heptavalent norovirus vaccine candidate to the NMPA in 2025.

- ***Other recombinant vaccine candidates.*** We are also developing a recombinant quadrivalent HFMD vaccine candidate and a poliomyelitis vaccine candidate. Currently available vaccines for HFMD and poliomyelitis are derived from inactivated or live-attenuated whole virus, for which our recombinant candidates, if proved to have a comparable efficacy profile and a better safety profile, may be a desirable upgrade. We plan to submit an IND application to the NMPA for our quadrivalent HFMD vaccine candidate and our poliomyelitis vaccine candidate after 2025.

- ***mRNA bivalent therapeutic HPV vaccine candidate.*** We are working on a bivalent therapeutic HPV vaccine candidate that is designed to target HPV E6 and E7 oncoproteins. We currently expect to submit an IND application to the NMPA for our mRNA bivalent therapeutic HPV vaccine candidate in 2025.

OUR TECHNOLOGY PLATFORMS

We have developed four technology platforms for the development of recombinant protein vaccines, which lay the foundation of our R&D activities:

- ***Structure-based antigen design platform.*** Our structure-based antigen design platform leverages protein structure information to design vaccine candidates with optimal physicochemical properties, biological activity and efficacy. Leveraging the ability to accurately modify and optimize antigens using protein structure information at the atomic level, we can design target antigens with desirable properties based on analysis of the protein's primary sequence, secondary structure and 3D structure.

- ***Genetic engineering and protein expression platform.*** We have established an advanced genetic engineering and protein expression platform to leverage well-established expression systems, such as *E. coli*, yeast and CHO cells, in the development of different vaccine candidates. We were the first in China to file patent application for the expression and preparation of HPV antigens in *E. coli*, reflecting our technological leadership and innovativeness in this field.

- ***Vaccine engineering platform.*** We have built a vaccine engineering platform to scale up manufacturing process for our vaccine candidates in anticipation of product approvals. As of the Latest Practicable Date, we have completed pilot-scale manufacturing process development for our HPV vaccine candidates, including our Core Products.

- ***Potency evaluation platform.*** Leveraging our potency evaluation platform, we have developed a number of methods to evaluate the immunogenicity profile of our vaccine candidates.

In addition to the technology platforms for recombinant protein vaccine R&D, we have also established an mRNA platform and plan to explore opportunities in relation to mRNA-based vaccines and therapeutics. We believe the mRNA platform will strengthen our vaccine R&D capabilities by synergizing with our recombinant vaccine R&D platform.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have differentiated us from our competitors: (i) the most comprehensive clinical-stage HPV vaccine franchise globally to address vast unmet needs across all population and market segments; (ii) diversified vaccine pipeline with broad disease coverage; (iii) robust in-house developed technology platforms to support our vaccine R&D; (iv) advanced manufacturing capabilities with continued expansion plans to ensure the stable supply of our vaccine products in the future; (v) strategic internationalization and business development to maximize pipeline value; and (vi) experienced and renowned management team with strong support from reputable shareholders in the biotech industry.

OUR DEVELOPMENT STRATEGIES

We intend to capitalize on our competitive strengths by pursuing the following development strategies: (i) efficiently advance and successfully complete the clinical trials of our HPV vaccine candidates; (ii) build up our manufacturing capabilities and sales network to achieve successful commercialization; (iii) expand our global presence and explore opportunities to maximize the global value of our vaccine candidates; (iv) accelerate the development of other vaccine candidates in our pipeline that can meet significant medical needs; and (v) continue to develop our technology platforms to strengthen our core competitiveness.

OUR R&D CAPABILITIES

We have formulated a comprehensive in-house R&D administration system, which sets forth protocols governing key aspects of vaccine development, including feasibility studies, budget control, R&D agreement execution, data collection and protection, and R&D monitoring, among others. Our in-house R&D team regularly communicates with our scientific advisory board members, who share with us their strategic advice and forward-looking recommendations on our R&D activities.

Our in-house R&D team is led by Mr. Liu Yongjiang (劉永江), our chief scientific officer, and Dr. Zhang Haijiang (張海江), our deputy general manager. Mr. Liu Yongjiang has over 30 years of experience in academic research and biotechnology R&D and has been the inventor on over 20 invention patents. Dr. Zhang Haijiang has approximately 20 years of experience in academic research and vaccine R&D.

We are also supported by our scientific advisory board, consisting of renowned scientists in virology and vaccine research to provide strategic advice and forward-looking recommendations on our product development. They are Dr. Chen Xiaojiang, the first scientist in the world to report the small HPV L1-VLP structure, Dr. Rao Zihe, an academician of the Chinese Academy of Sciences, and Dr. Sheng Jun, a professor at Yunnan Agricultural University who successfully developed the split influenza vaccine in China.

OUR MANUFACTURING CAPABILITIES

Currently, we have built an EU and China GMP-compliant pilot manufacturing plant with a GFA of over 3,000 sq.m in Beijing, which is equipped with a full suite of manufacturing, quality control and formulation equipment and facilities. In anticipation of market demand for our HPV vaccines, we are also investing in a new manufacturing facility in Kunming to support commercial production in the future. The Kunming facility is designed to have an annual manufacturing capacity of 10 million doses of trivalent HPV vaccine plus 30 million doses of nonavalent HPV vaccine, and comply with world-class quality standards, including the GMP requirements of China, the EU and the WHO. We plan to apply for a drug manufacturing license for the manufacturing facility in Kunming in the second half of 2024, to ensure that we can commence commercial production upon obtaining BLA approval.

LICENSE AND COLLABORATION ARRANGEMENT

We proactively seek opportunities for partnerships in vaccine development while advancing our in-house research and development, which we believe enables us to leverage external resources to drive our pipeline rapidly and effectively towards commercialization. In 2019, we entered into a collaboration arrangement with Chengda Biotechnology, an A-share listed vaccine developer, on the joint development of our 15-valent HPV vaccine candidate. Under the collaboration, we are responsible for early-stage research and pre-clinical studies of the vaccine candidate, and Chengda Biotechnology is responsible for clinical development, manufacturing and commercialization of the vaccine candidate within the exclusivity period as defined in the collaboration agreement. We and Chengda Biotechnology have obtained IND approval for the 15-valent HPV vaccine candidate in China, and Chengda Biotechnology has made upfront and milestone payments of RMB70 million to us in total. We expect to be able to receive up to RMB50 million in further milestone payments as well as annual royalty payments from sales of the vaccine candidate by Chengda Biotechnology within ten years from the first commercial sale of the 15-valent vaccine.

COMPETITIVE LANDSCAPE

We face potential competition from many different market players, including multi-national and large domestic pharmaceutical and biotechnology companies that have commercialized, or are commercializing or pursuing the development of vaccines that are similar to ours. We compete primarily on the strength of our vaccine pipeline, technology platforms and R&D capability. Our major competitors vary by vaccine type. For further details on market opportunities and competition in respect of our vaccine pipeline, see "Business – Competition" and "Industry Overview."

INTELLECTUAL PROPERTY

As a company focused on the R&D, manufacturing and commercialization of innovative vaccine products, we recognize the importance of intellectual property rights to our business and are committed to their development and protection. We have developed a strong portfolio of patents and patent applications to protect our technologies and products. As of the Latest Practicable Date, we have 50 granted patents and eight pending patent applications in China. In addition, as of the same date, we have one granted patent in South Africa, one pending patent application in Indonesia and eight pending PCT patent applications. The patents granted to, and patent applications filed by, our Company cover all material aspects of our Core Products. For details, see "Business – Intellectual Property."

SUMMARY OF KEY FINANCIAL INFORMATION

The summary of the key financial information set forth below have been derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report in Appendix I to this Document, as well as the information set forth in the section headed "Financial Information."

Summary of Consolidated Statements of Profit or Loss

We recognized revenue of RMB1.9 million, RMB0.9 million and RMB1.6 million in 2022 and the nine months ended September 30, 2022 and 2023, respectively, which was primarily related to the sales of testing reagents for R&D purpose. As we invested significant capital into the research and development of our vaccine candidates and building up our manufacturing facilities, we recorded net losses of RMB292.8 million, RMB210.6 million and RMB224.9 million in 2022 and the nine months ended September 30, 2022 and 2023, respectively.

The following table sets forth the summary of our consolidated statements of profit or loss for the periods indicated:

	For the year ended December 31,	**For the nine months ended September 30,**	
	2022	**2022**	**2023**
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Revenue	**1,901**	**888**	**1,601**
Cost of sales	(49)	(35)	(71)
Gross profit	**1,852**	**853**	**1,530**
Other income and gain	25,643	20,389	20,809
Administrative expenses	(79,117)	(56,837)	(65,417)
Research and development expenses	(236,680)	(171,912)	(177,009)
Other expenses	(204)	(101)	(764)
Finance costs	(4,061)	(2,904)	(3,391)

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Loss before tax	**(292,567)**	**(210,512)**	**(224,242)**
Income tax expense	(250)	(107)	(624)
Loss and total comprehensive loss for the year/period	**(292,817)**	**(210,619)**	**(224,866)**
Attributable to:			
Owners of the parent	(292,817)	(210,619)	(224,866)

Summary of Consolidated Statements of Financial Position

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

	As of December 31, 2022	As of September 30, 2023	As of November 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Total non-current assets	648,348	1,158,265	1,186,478
Total current assets	734,954	277,939	274,088
Total current liabilities	352,280	416,974	483,863
Net current assets/(liabilities)	382,674	(139,035)	(209,775)
Total assets less current liabilities	1,031,022	1,019,230	976,703
Total non-current liabilities	96,869	38,805	47,173
Net assets	934,153	980,425	929,530

Summary of Consolidated Statements of Cash Flow

The following table sets forth the components of our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Net cash flows used in operating activities	(310,325)	(199,328)	(115,811)
Net cash flows used in investing activities	(346,802)	(247,773)	(423,655)
Net cash flows from financing activities	113,081	63,932	127,308
Net decrease in cash and cash equivalents	(544,046)	(383,169)	(412,158)
Cash and cash equivalents at beginning of year/period	1,209,349	1,209,349	665,303
Effect of foreign exchange differences, net	–	–	7
Cash and cash equivalents at the end of year/period	**665,303**	**826,180**	**253,152**

Working Capital Sufficiency and Cash Burn

We recorded net cash used in operating activities of RMB310.3 million, RMB199.3 million and RMB115.8 million in 2022 and the nine months ended September 30, 2022 and 2023, which was primarily due to our investments in the R&D of our vaccine candidates. In addition, we also recorded net cash used in investing activities of RMB346.8 million, RMB247.8 million and RMB423.7 million, which was primarily related to building up of our Kunming facility and R&D of our nonavalent HPV vaccine candidate (male indication). We recorded net current liabilities of RMB139.0 million and RMB209.8 million as of September 30, 2023 and November 30, 2023, respectively. During the Track Record Period, we primarily financed our operations and other capital requirements through equity and debt financing.

Although we recorded net current liabilities during the Track Record Period, our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to cover at least 125% of our costs, including research and development expenses and administrative expenses (including any production costs), for at least the next 12 months from the date of this Document. We plan to enhance our working capital position through the following measures:

- ***Available credit facilities and ability to obtain further borrowings.*** We obtained additional banking facilities in December 2023 and January 2024 and to date we have RMB328.2 million of unutilized banking facilities. In addition, we are currently in early negotiations with several banks regarding several new loans, and we anticipate to secure additional funding to supplement our capital needs. As of September 30, 2023, our total bank and other borrowings accounted for 8.2% of our total equity. We have historically been able to obtain bank credit facilities as needed to support our operations and believe that we will continue to be able to do so when necessary in the future.

- ***Ability to roll over or refinance existing bank borrowings.*** As of September 30, 2023, our current interest-bearing bank and other borrowings was RMB60.5 million and our non-current interest-bearing bank and other borrowings was RMB19.9 million. We have historically been able to roll over or refinance over borrowings based on our capital requirements. We believe that, going forward, we will be able to roll over or refinance our existing bank borrowings, especially current loans, when necessary.

- ***Commercialization of our vaccine candidates.*** Our Core Products, namely the trivalent HPV vaccine candidate and nonavalent HPV vaccine candidates are under phase III clinical trials and are approaching commercialization. We currently expect to submit a BLA for our trivalent HPV vaccine candidate in China by the end of 2024. In addition, for our nonavalent HPV vaccine candidate, we currently expect to submit BLA for its use in females in both China and Indonesia in 2025. Upon the successful commercialization of one or more of our vaccine candidates, we expect to fund our operations in part with income generated from sales of our commercialized vaccines.

- ***Proceeds from the*** [**REDACTED**]**.** We expect to receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million based on the low end of the [**REDACTED**] range set out in this Document. See "Future Plans and [**REDACTED**]" for details.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, payment for property, plant and equipment, payment for intangible assets and payment for leases. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**], assuming no [**REDACTED**] is exercised and an [**REDACTED**] of HK$[**REDACTED**], being the [**REDACTED**] of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]. Assuming that our average cash burn rate going forward is 1.5 times the level of average monthly amount of net cash used in operating activities, payment for intangible assets and payment for leases during the Track Record Period, and 0.5 times the level of average monthly amount of payment for property, plant and equipment during the Track Record Period, we estimate that our cash and cash equivalents as of September 30, 2023 will be able to maintain our financial viability for over 39 months from September 30, 2023, if we take into account the estimated [**REDACTED**] from the [**REDACTED**].

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated:

	As of December 31, 2022	As of September 30, 2023
Current ratio	2.1	0.7
Debt-to-equity ratio	0.23	0.08

For details, see "Financial Information – Key Financial Ratios."

Cash Operating Costs

The following table provides information regarding our cash operating costs for the periods indicated.

	For the year ended December 31, 2022	For nine months ended September 30, 2023
	(RMB'000)	*(RMB'000)*
R&D costs		
R&D costs for our Core Products[(1)]		
Trial and testing expenses	144,111	241,932
Raw material costs	3,593	3,331
Workforce employment[(2)]	24,088	33,082
Depreciation and amortization	3,470	4,158
Other significant expenses[(3)]	3,257	6,260
Subtotal	178,519	288,763

	For the year ended December 31, 2022	For nine months ended September 30, 2023
	(RMB'000)	*(RMB'000)*
R&D costs for other vaccine candidates		
Trial and testing expenses	11,868	1,275
Raw material costs	5,610	4,647
Workforce employment[(2)]	32,908	26,407
Depreciation and amortization	5,771	6,451
Other significant expenses[(3)]	2,004	2,326
Subtotal	58,161	41,106
Product marketing costs[(4)]	–	–
Direct production costs[(5)]	–	–
Contingency allowance	–	–
Total	236,680	329,869

Notes:

(1) Includes the capitalized research and development costs in relation to our nonavalent HPV vaccine candidate (male indication). See "– Description of Selected Items from the Consolidated Statements of Financial Position – Intangible Assets" for details.

(2) Workforce employment represented our staff costs for our R&D staff mainly including salaries and benefits.

(3) Other significant expenses mainly included energy costs, travelling expenses and maintenance costs in relation to the research and development of vaccine candidates.

(4) We had not commenced vaccine sales as of the Latest Practicable Date.

(5) We had not commenced commercial manufacturing as of the Latest Practicable Date.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different [**REDACTED**] may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to [**REDACTED**] in our Company. Some of the major risks that we face include (i) our business and financial prospects depend substantially on the success of our vaccine candidates. We may be unable to successfully complete clinical development of, obtain regulatory approval for and commercialize our vaccine candidates, or may experience delays in doing so; (ii) vaccine development involves a lengthy and expensive process with uncertain outcomes and results of earlier clinical trials may not be predictive of results of later-stage clinical trials; (iii) we invest substantial resources in order to get our vaccine candidates approved by regulatory

authorities and commercialized and enhance our technology platforms, which we may not be able to do successfully; (iv) we have incurred significant net losses since inception. We anticipate that we will continue to incur net losses for the foreseeable future and may fail to achieve or maintain profitability. As a result, you may lose substantially all of your [**REDACTED**] in us if our business fails; (v) we had incurred and may continue to incur net current liabilities and net cash outflow from operating activities, which expose us to liquidity risk; (vi) we may need to obtain substantial additional financing to fund our operations, and a failure to obtain necessary capital when needed would force us to delay, limit, reduce or terminate our vaccine development or commercialization efforts; (vii) we face intense competition and rapid technological change, which may adversely affect our financial conditions and our ability to successfully commercialize our vaccine candidates; and (viii) we may not be successful in obtaining or maintaining effective intellectual property protection for one or more of our vaccine candidates. Even if we obtain the intellectual property protection, the scope of such intellectual property rights obtained may not be sufficiently broad and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Tao, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua were collectively entitled to exercise voting rights attaching to approximately 30.6% of the total issued Shares of our Company and will remain our Controlling Shareholders as at the date of this Document. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Company will be held directly by Sirius Holding Group, Jianglin Weihua and XJ Biotechnology as to [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]%, respectively. Mr. Tao, Sirius Holding Group, Jianglin Weihua and XJ Biotechnology will continue to act in concert and thus be collectively entitled to exercise voting rights attaching to approximately [**REDACTED**]% of the total issued Shares of our Company. Therefore, they will not be Controlling Shareholders but will remain our single largest group of Shareholders upon [**REDACTED**].

Our Controlling Shareholders and our Directors confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules. For details, see "Relationship with Our Controlling Shareholders" in this Document.

SOPHISTICATED INVESTORS

Since the establishment of our Company, we have received several rounds of financings from our financial investors, including certain Sophisticated Investors, who held a total of approximately 15.85% of the total outstanding and issued Shares of the Company as of the Latest Practicable Date. Each of the Sophisticated Investors has made meaningful investment in our Company at least six months before the [**REDACTED**]. In addition, since the date our Shares were quoted on the NEEQ in September 2015, our Company have received multiple third-party investments from a number of professional investors, which indicates a wide degree of market acceptance of our Company. For details, see "History, Development and Corporate Structure – Major Changes in Share Capital and Shareholdings" in this Document.

REPURCHASE OF DIANZHONG LIKANG

On May 16, 2023, Health Guard Kunming, our wholly-owned subsidiary, repurchased 99% equity interest in Dianzhong Likang from Yunnan Dianzhong Hengsheng Investment Co., Ltd. (雲南滇中恒昇投資有限公司) ("**Dianzhong Hengsheng**"), an Independent Third Party, through public bidding with a consideration of RMB62,587,600 (including transaction fees), plus all outstanding liabilities payable by Dianzhong Likang amounting to RMB101,710,600 in total, in order to facilitate the construction and development of our recombinant vaccine clinical and industrialization base in Yunnan Dianzhong New Area (雲南滇中新區). The repurchase was completed on June 6, 2023. Dianzhong Likang has been assessed as one of the subsidiaries of the Group since its establishment on October 21, 2020 and its financial statements have been consolidated by the Group since then. For details, see "History, Development and Corporate Structure – Repurchase of Dianzhong Likang" and note 3 to the Accountants' Report as set out in Appendix I to this Document.

LISTING OF OUR A SHARES

We have been listed on the Beijing Stock Exchange since March 15, 2023 (stock code: 833575). As of the Latest Practicable Date, we had 280,940,000 A Shares in issue, all of which were listed and traded on the Beijing Stock Exchange.

DIVIDENDS

Pursuant to Shareholders' resolution dated May 15, 2023, we distributed stock dividends, giving each Shareholder ten additional Shares for every ten existing Shares without consideration. The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including the successful commercialization of our products as well as our earnings, capital requirements, overall financial condition and contractual restrictions.

As confirmed by our PRC Legal Advisor, any future net profit that we generate will be applied to account for our accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our accumulated losses have been accounted for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In light of our accumulated losses as disclosed in this Document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

[**REDACTED**] STATISTICS[(1)]

	Based on an [REDACTED] of HK$[REDACTED] per H Share	**Based on an [REDACTED] of HK$[REDACTED] per H Share**
[**REDACTED**] of our H Shares[(2)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company as of September 30, 2023 per H Share[(3)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All [**REDACTED**] statistics in the table are on the assumptions that the [**REDACTED**] are not exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] H Shares expected to be in issue immediately after the completion of the [**REDACTED**].

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of our Company as of September 30, 2023 per Share is calculated after making the adjustments referred to in "Financial Information – Unaudited [**REDACTED**] Adjusted Consolidated Net Tangible Assets."

[**REDACTED**]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the [**REDACTED**] of the indicative [**REDACTED**] range stated in this Document. We currently intend to apply these [**REDACTED**] for the following purposes: (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our Core Products, including (a) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the ongoing clinical trials of our Core Products; (b) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our Company and our subsidiaries to build up the manufacturing capabilities of our Core Products; and (c) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for commercialization activities for our Core Products; (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the development of our pre-clinical vaccine candidates; (iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to explore potential investment, acquisition, in-licensing, joint venture and other collaboration opportunities; and (iv) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for working capital and other general corporate purposes. For further details, please see "Future Plans and [**REDACTED**]."

[**REDACTED**]

[**REDACTED**] to be borne by us mainly include (i) [**REDACTED**] expenses, such as [**REDACTED**] and [**REDACTED**], and (ii) non-[**REDACTED**]-related expenses, comprising professional fees paid to our legal advisers and reporting accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the total [**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] million, equivalent to [**REDACTED**]% of our [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the [**REDACTED**] of the indicative [**REDACTED**] range stated in this Document, and without exercise of the [**REDACTED**]). Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] expenses of RMB[**REDACTED**] million and non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million. We recognized no [**REDACTED**] prior to September 30, 2023. Except for approximately RMB[**REDACTED**] million are expected to be charged to our consolidated statements of profit or loss and other comprehensive income, all of our remaining [**REDACTED**] are expected to be accounted for as [**REDACTED**] upon the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] to have a material adverse impact on our results of operations for the year ending December 31, 2024.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Clinical Development

In November 2023, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in females in Indonesia. As of the Latest Practicable Date, we have completed enrollment of all 1,260 subjects. We currently plan to submit a BLA for our nonavalent HPV vaccine candidate for use in females to the Indonesian BPOM in 2025.

New Banking Facilities

In December 2023, Health Guard Kunming obtained a new banking facility of RMB200 million. The land use rights relating to our Kunming facility and 100% equity interests of Health Guard Kunming were offered as collateral to the loan and our Company also provided a guarantee for the loan. In addition, we guaranteed to pledge our future accounts receivable generated from sales or government subsidies and incentives.

In January 2024, we also obtained other new banking facilities, including a banking facility of RMB50 million and a banking facility of RMB70 million. To date we have RMB328.2 million of unutilized banking facilities.

No Material Adverse Change

Our Directors confirm that, save as disclosed in "– Recent Developments and No Material Adverse Change," as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since September 30, 2023 and up to the date of this Document.

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

"15-valent HPV Vaccine Co-development Agreement"	a series of agreement arrangements entered into between the Company and Chengda Biotechnology for the joint development of a recombinant 15-valent HPV vaccine candidate
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed on the Beijing Stock Exchange and are traded in Renminbi
"A Shareholder(s)"	holder(s) of A Share(s)
"Accountants' Report"	the accountants' report of the Company prepared by Ernst & Young, details of which are set out in Appendix I to this Document
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of the Company adopted on January 12, 2024 which will become effective upon the [**REDACTED**] and as amended from time to time, a summary of which is set out in Appendix V to this Document
"ASEAN"	Association of Southeast Asian Nations, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company

"BPOM"	Badan Pengawas Obat dan Makanan, the Indonesian food and drug authority
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[**REDACTED**]

"CDC(s)"	the center(s) for disease control and prevention
"CDE"	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and BLA
"Chengda Biotechnology"	Liaoning Chengda Biotechnology Co., Ltd. (遼寧成大生物股份有限公司), a China-based company focused on the R&D, manufacturing and commercialization of vaccines, whose shares are listed on the Shanghai Stock Exchange (stock code: 688739)
"China" or "PRC"	the People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires otherwise, references in this Document to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"CNIPA"	China National Intellectual Property Administration (中國國家知識產權局)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", and "the Company"	Beijing Health Guard Biotechnology Inc. (北京康樂衛士生物技術股份有限公司), a limited liability company established in the PRC on April 14, 2008 and converted into a joint stock company on May 14, 2013, the A Shares of which are listed on the Beijing Stock Exchange with the stock code 833575
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Tao, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua. For further details of the Controlling Shareholders of the Company, see "Relationship with Our Controlling Shareholders"
"Core Product(s)"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules; for the purpose of this Document, our Core Products refer to our trivalent HPV vaccine candidate and nonavalent HPV vaccine candidate
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"CSDC"	China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Dianzhong Likang"	Yunnan Dianzhong Likang Industrial Development Co., Ltd. (雲南滇中立康實業開發有限公司), a limited liability company incorporated in the PRC on October 21, 2020 and a wholly-owned subsidiary of our Company

"Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"EU"	European Union
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FDA"	the United States Food and Drug Administration
"FIL"	Foreign Investment Law of the PRC (中華人民共和國外商投資法)
	[**REDACTED**]
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
"Frost & Sullivan Report"	the report commissioned by the Company and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this Document
	[**REDACTED**]
"GFA"	gross floor area
	[**REDACTED**]
"GMP"	good manufacturing practices
"Group", "we" or "us"	our Company and all of our subsidiaries, and their respective predecessors (as the case may be)

"H Share(s)"	overseas listed foreign share(s) in our ordinary share capital, with nominal value of RMB1.00 each in the share capital of our Company, which are to be [**REDACTED**] for and traded in HK dollars and [**REDACTED**] on the Stock Exchange
	[**REDACTED**]
"Health Guard Kunming"	Health Guard (Kunming) Biotechnology Co., Ltd. (康樂衛士(昆明)生物技術有限公司), a company incorporated in the PRC on June 8, 2020 and a wholly-owned subsidiary of our Company
	[**REDACTED**]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars," "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"IARC"	International Agency for Research on Cancer
"IASB"	International Accounting Standards Board
"IFRS"	the International Financial Reporting Standards, which as a collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules

[**REDACTED**]

"Jianglin Weihua"	Beijing Jianglin Weihua Biotechnology Co., Ltd. (北京江林威華生物技術有限公司), a limited liability company incorporated in the PRC on November 18, 2009 (formerly converted into a limited partnership known as Beijing Jianglin Weihua Biotechnology Partnership (Limited Partnership) (北京江林威華生物技術合夥企業(有限合夥) between July 15, 2021 and November 9, 2023), a Controlling Shareholder

"Joint Sponsors"	CITIC Securities (Hong Kong) Limited and CCB International Capital Limited
	[**REDACTED**]
"Latest Practicable Date"	January 22, 2024, being the latest practicable date for the purpose of ascertaining certain information in this Document prior to its publication
	[**REDACTED**]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Tao"	Mr. TAO Tao (陶濤), our non-executive Director, a Controlling Shareholder
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
"NHSA"	the National Healthcare Security Administration (國家醫療保障局)

"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
" PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time

"PRC Legal Advisor"	Zhong Lun Law Firm, PRC legal advisor to our Company
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
	[**REDACTED**]
"Property Valuation Report"	the property valuation report produced by Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, set out in Appendix VI to this Document
	[**REDACTED**]
"Regulation S"	Regulation S under the U.S. Securities Act
"Restricted Share Incentive Plan"	the restricted share incentive plan approved and adopted by the general meeting of the Company on September 10, 2019. For further details of the Restricted Share Incentive Plan of the Company, see "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation (國家税務總局)

"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holders of our Shares
"Sirius Holding Group"	Sirius Holding Group Co., Ltd. (天狼星控股集團有限公司) (previously known as Beijing Tianniu Investment Co., Ltd. (北京天牛投資有限公司)), a limited liability company incorporated in the PRC on July 1, 2008, a Controlling Shareholder
"Sophisticated Investor(s)"	has the meaning ascribed to it under the Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange
"Stabilization Manager"	[●]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the year ended December 31, 2022 and nine months ended September 30, 2023

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value added tax

[**REDACTED**]

"XJ Biotechnology"	Xiaojiang Biotechnology Co., Ltd. (小江生物技術有限公司), a limited liability company incorporated in the PRC on October 22, 2009, a Controlling Shareholder
"%"	per cent

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

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.

For the purpose of this Document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level, autonomous regions.

GLOSSARY OF TECHNICAL TERMS

In this Document, unless the context otherwise requires, explanations and definitions of certain terms used in this Document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"15-valent HPV vaccine"	a vaccine that is designed to prevent infections of 15 HPV types, including all the 13 high-risk HPV types identified by the IARC and two low-risk HPV types (HPV types 6 and 11)
"adjuvant"	a substance that is added to a vaccine to enhance or modulate the body's immune response to an antigen
"AE"	adverse event, any untoward medical occurrence in a patient or clinical investigation subject administered a pharmaceutical product and which does not necessarily have to have a causal relationship with the treatment
"antigen"	a substance that is capable of stimulating an immune response, specifically activating lymphocytes, which are the body's infection-fighting white blood cells
"bivalent HPV vaccine"	a vaccine that is designed to prevent infections with HPV types 16 and 18, and associated diseases
"BLA"	biologics license application
"CD8+ T lymphocytes"	cluster of differentiation 8 positive T lymphocytes, a major cell population of the adaptive immune system, which plays a crucial role in the immune response against intracellular pathogens such as viruses and bacteria and against tumors
"cervical cancer"	cancer that occurs in the cervix, which is the lower part of the uterus that connects to the vagina
"CHO cell"	Chinese Hamster Ovary Cell, which is widely used in the biopharmaceutical industry to produce recombinant proteins
"CIN2+"	cervical intraepithelial neoplasia grades 2 or 3, which are high-grade cervical lesions and indicate a greater potential for progression to cervical cancer if left untreated, as well as cervical cancer for the purpose of this Document
"CTA"	clinical trial application

GLOSSARY OF TECHNICAL TERMS

"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"*E. coli*"	Escherichia coli, one of the organisms of choice for the production of recombinant proteins, which is recognized by drug regulatory authorities and grows rapidly to a high cell density on inexpensive carbon sources
"ELISPOT"	enzyme-linked immunospot, a laboratory technique used to detect and quantify specific immune cells, such as T cells or B cells, that produce and secrete cytokines or antibodies
"EV71"	Enterovirus 71, a common cause of hand-foot-mouth disease (HFMD) in infants and young children
"GCP"	good clinical practice
"GMT"	geometric mean titer
"HBGA"	histo-blood group antigens, a family of complex cell-surface carbohydrate structures that are recognized as norovirus-specific binding receptors or ligands
"heptavalent norovirus vaccine"	a vaccine that is designed to prevent infections of seven norovirus types, namely GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17
"herpes zoster"	also known as shingles, a viral syndrome caused by reactivation of the varicella-zoster virus
"HFMD"	hand-foot-mouth disease, a common infectious disease among infants and children, characterized by fever, sores in the mouth and a rash with blisters on hands, feet and also buttocks
"HPV"	human papillomavirus, infection with some high-risk types of which is common and can cause genital warts or cancer
"HPV vaccination rate"	the percentage of individuals within a suitable population who have received a full HPV vaccination regimen, unless otherwise specified
"immune response"	the reaction of the cells and fluids of the body to the presence of a substance which is not recognized as a constituent of the body itself

"immuno-bridging study"	a controlled study used to infer effectiveness of a vaccine candidate that leverages placebo or other controls and correlates of protection such as humoral and/or cellular immune parameters
"immunogenicity"	the ability of an antigen to provoke immune response
"IND"	investigational new drug (application)
"*in vivo*"	Latin for "within the living", referring to a type of experiment that is carried out within a whole, living organism, such as animals, humans and plants, as opposed to those done in vitro
"*in vitro*"	Latin for "within the glass", referring to a type of experiment that is carried out in a test tube, culture dish, or elsewhere outside a living organism
"KOL"	key opinion leaders, influencers and trusted persons who have expert product knowledge and influence in their respective field and are an important part of burgeoning industries and businesses in China, including biotech/pharmaceutical industries
"L1 protein"	the major capsid protein of HPV, which can spontaneously assemble into VLPs and has good immunogenicity, hence the main target for HPV vaccine development
"mRNA"	messenger RNA, an RNA produced by transcription that carries the code for a particular protein from the nuclear DNA to a ribosome in the cytoplasm and acts as a template for the formation of that protein
"mRNA bivalent therapeutic HPV vaccine"	an mRNA vaccine that is designed to treat or manage infections with HPV types 16 and 18, and associated diseases
"NDA"	new drug application
"nonavalent HPV vaccine"	a vaccine that is designed to prevent infections with HPV types 6, 11, 16, 18, 31, 33, 45, 52 and 58, and associated diseases
"norovirus"	a type of contagious viruses that causes inflammation in the stomach and intestines, a condition known as gastroenteritis
"PI"	principal investigator

"poliomyelitis"	a highly infectious viral disease caused by poliovirus that largely affects children under 5 years of age
"proof-of-concept"	a finding from early clinical trials conducted by a vaccine developer that indicates for the first time a new vaccine has effect on the endpoint of interest in targeted patients, and determines whether investment in further development is warranted
"quadrivalent HFMD vaccine"	a vaccine that is designed to prevent infections with enterovirus 71, and coxsackieviruses A6, A10, and A16
"quadrivalent HPV vaccine"	a vaccine that is designed to prevent infections with HPV types 6, 11, 16 and 18, and associated diseases
"recombinant protein"	protein produced through recombinant DNA technology, which involves inserting the DNA encoding the protein into bacterial or eukaryotic host, expressing the protein in these cells and then purifying it from them
"recombinant protein vaccine"	a vaccine type, which comprises protein antigens produced in heterologous expression system
"RSV"	respiratory syncytial virus
"T cell"	a diverse and important group of lymphocytes that mature and undergo a positive and negative selection processes in the thymus, which play a vital role in both components of active immunity, including cell-mediated and to some extent humoral immunity
"trivalent HPV vaccine"	a vaccine that is designed to prevent infections with HPV types 16, 18 and 58, and associated diseases
"umbrella approval"	an IND approval from the competent authority that authorizes the sponsor to test an experimental drug and vaccine in humans in all phases of clinical trials required for marketing approval
"VLP(s)"	virus-like particles, which are made up of one or more viral structure proteins with the ability to self-assemble, mimicking the form and size of a virus particle but lacking the genetic material so they are not capable of infecting the host cell
"VZV"	varicella zoster virus, which usually causes shingles (herpes zoster) in adults and chickenpox (varicella) commonly in children and young adults

This Document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "might," "ought to," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the timing of initiation and completion, and the progress of our preclinical studies and clinical trials;
- the timing and likelihood of regulatory filings and approvals, such as INDs and BLAs;
- our license and collaboration agreements;
- the commercialization strategies and pricing policy of our vaccine candidates;
- the market opportunities of our vaccine candidates;
- our ability to attract and retain senior management and key employees;
- our operations and business prospects;
- our business strategies and plans to achieve these strategies;
- industry trends and competition;
- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;

- capital market developments;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this Document.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section. In this Document, statements of or references to our intentions or those of the Directors are made as of the date of this Document. Any such information may change in light of future developments.

An [**REDACTED**] *in our* [**REDACTED**] *involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in our* [**REDACTED**]. *The following is a description of what we consider to be our material risks.*

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occurs, the [**REDACTED**] *of our* [**REDACTED**] *could decline, and you may lose all or part of your* [**REDACTED**]. *You should seek professional advice from your relevant advisers regarding your prospective* [**REDACTED**] *in the context of your particular circumstances.*

RISKS RELATING TO THE RESEARCH AND DEVELOPMENT OF OUR VACCINE CANDIDATES.

Our business and financial prospects depend substantially on the success of our vaccine candidates. We may be unable to successfully complete clinical development of, obtain regulatory approval for and commercialize our vaccine candidates, or may experience delays in doing so.

Our business, revenue and profitability are substantially dependent on the successful development, obtaining regulatory approvals, manufacturing and commercialization of our vaccine candidates. We have invested a significant portion of our efforts and capital resources in the development of our existing vaccine candidates. The success of our vaccine candidates will depend on several factors, including:

- successful enrollment of participants in, and completion of, pre-clinical studies and clinical trials;
- favorable safety and immunogenicity data from our clinical trials and other studies;
- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third party manufacturers;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our vaccine candidates;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- successfully launching our vaccine candidates for commercial sales, if and when approved;

- competition with other vaccine candidates and vaccines; and

- the continued acceptable safety and effectiveness profile of our vaccine candidates following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or be unable to obtain approval for and/or to successfully commercialize our vaccine candidates, which would materially harm our business, and we may not be able to generate sufficient revenues and cash flows to continue our operations. These factors present uncertainty and material risks to our commercial success and may cause potential [**REDACTED**] to lose a substantial amount or substantially all of their [**REDACTED**] in our business.

Vaccine development involves a lengthy and expensive process with uncertain outcomes and results of earlier clinical trials may not be predictive of results of later-stage clinical trials.

Vaccine development is capital-intensive and can take years of effort to complete, while its outcomes are inherently uncertain and may not be favorable. We exclusively focus on developing vaccine candidates with significant commercial potential, but we cannot guarantee that we are able to achieve this for any of our vaccine candidates. Failure can occur at any time during the clinical development process, which would result in a material and adverse effect on our business, financial condition and results of operations. For instance:

- regulators, ethics committees, or other designated review bodies may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- we might have to suspend or terminate clinical trials of our vaccine candidates for various reasons, including negative results or a finding that participants are being exposed to unacceptable health and safety risks;

- we may not be able to reach agreements on acceptable terms with prospective CROs and hospitals as trial centers, the terms of which can be subject to extensive negotiation;

- we may encounter various manufacturing issues, including problems with quality control, or ensuring sufficient quantities of our vaccine candidates for use in a clinical trial;

- subject enrollment may be insufficient or slower than we anticipate, or subjects may drop out at a higher rate than anticipated; and

- our vaccine candidates may cause AEs and undesirable side effects, among other unexpected characteristics, which could result in a suspension or termination of an ongoing trial.

Furthermore, the results of pre-clinical studies and early clinical trials of our vaccine candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Vaccine candidates during later stages of clinical trials may fail to show the desired outcomes in safety and immunogenicity despite having progressed through early-stage clinical trials and the level of scientific rigor in the study, design and adequacy of execution. In some instances, there can be significant variability in safety and/or immunogenicity results among different trials of the same vaccine candidates due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the participant populations, which includes genetic differences, participants' adherence to the dosing regimen and other trial protocol elements and the rate of drop-out among clinical trial participants. A number of companies in the biotechnology industry have suffered significant setbacks in advanced clinical trials due to a lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. We cannot guarantee that our future clinical trial results will be favorable based on the current available pre-clinical and clinical data.

We invest substantial resources in order to get our vaccine candidates approved by regulatory authorities and commercialized and enhance our technology platforms, which we may not be able to do successfully.

The vaccine industry is constantly evolving, and we must keep pace with new technologies and platforms to maintain our competitive position. In 2022 and the nine months ended September 30, 2023, our research and development expenses amounted to RMB236.7 million and RMB177.0 million, respectively. In addition, we capitalized RMB152.9 million of research and development costs in relation to our nonavalent HPV vaccine candidate (male indication) during the nine months ended September 30, 2023. We expect to continue to invest significant amounts of human and capital resources to develop our vaccine candidates and enhance our technology platforms. We also intend to continue to strengthen our technical capabilities in the development and manufacture of our products, which are capital and time intensive. We cannot assure you that we will be able to develop, improve or adapt to new technologies and platforms, successfully identify new technological opportunities, develop and bring new or enhanced vaccines to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced vaccines or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve or maintain market acceptance. Any failure to do so may render our efforts obsolete, which could significantly reduce demand for our products and harm our business and prospects.

We may not be able to develop new and desirable vaccine candidates.

We may fail to identify suitable vaccine candidates for clinical development for a number of reasons. For example, our research methodology may be unsuccessful in identifying potential vaccine candidates or those we identify may be shown to have harmful side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approval. We have devoted significant resources to the development of our vaccine pipeline, and we cannot guarantee that we will be successful in identifying potential vaccine candidates.

Research programs to pursue the development of our vaccine candidates for additional diseases require substantial technical, financial and human resources. Our research programs may initially show promise in identifying potential diseases and/or vaccine candidates, yet fail to yield results for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential diseases and/or vaccine candidates;
- potential vaccine candidates may, after further study, be shown to have adverse effects or other characteristics that indicate they are unlikely to be effective vaccines; or
- it may take greater human and financial resources to develop suitable potential vaccine candidates through internal research programs than we will possess, thereby limiting our ability to diversify and expand our vaccine portfolio.

Accordingly, there can be no assurance that we will be able to identify additional appropriate opportunities for our vaccine candidates or to develop effective potential vaccine candidates through our team and platform technologies, which could materially adversely affect our future growth and prospects. We may focus our efforts and resources on potential vaccine candidates or other potential programs that ultimately prove to be unsuccessful.

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

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of subjects who remain in the trial until its conclusion. We may not be able to initiate or continue clinical trials for our vaccine candidates if we are unable to locate and enroll a sufficient number of subjects to participate in these trials, or if there are delays in the enrollment of subjects as a result of the competitive clinical enrollment environment.

We may experience difficulties in subject enrollment in our clinical trials for a variety of reasons, including:

- the obstacles in meeting size and nature of the subject population;
- design and eligibility criteria for the clinical trial in question;
- perceived risks and benefits of the vaccine candidate under study;
- our resources to facilitate timely subject enrollment in clinical trials;
- availability of competing vaccine candidates also undergoing clinical trials;

- our investigators', clinical trial sites' or CROs' efforts to screen and recruit eligible participants; and

- proximity and availability of clinical trial sites for prospective participants.

In addition, some of our competitors have ongoing clinical trials for vaccine candidates that prevent the same diseases as our vaccine candidates, and subjects who would otherwise be eligible for our clinical trials may instead enroll in the clinical trials of our competitors' vaccine candidates, which may further delay our clinical trial enrollments.

Even if we are able to enroll a sufficient number of subjects in our clinical trials, delays in subject enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our vaccine candidates.

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

Before obtaining regulatory approvals for the commercial sale of our vaccine candidates, we must conduct extensive clinical trials to demonstrate the safety, immunogenicity and efficacy of our vaccine candidates for their proposed indications. Undesirable AEs caused by our vaccine candidates could cause us or regulatory authorities to interrupt, delay, suspend or terminate clinical trials and result in a more restrictive label or the delay or denial of regulatory approval by the NMPA or applicable regulatory authorities in other jurisdictions. Results of our clinical trials could reveal a high and unacceptable severity or prevalence of AEs. In such an event, our clinical trials could be suspended or terminated and the NMPA or applicable regulatory authorities in other jurisdictions could order us to cease further development of, or deny approval of, our vaccine candidates. AEs could affect subject recruitment or the ability of enrolled subjects to complete the trial, and result in potential product liability claims. As such, there are significant uncertainties with respect to the design of the mechanism of action and we may not be able to bring such vaccine candidates to next clinical trial phase or commercialization in a timely manner, or at all. In addition, our clinical trials may be shown to lack meaningful clinical response or other unexpected characteristics.

If the results of clinical trials of our vaccine candidates are not positive or only modestly positive for proposed indications or if they raise safety concerns, we may:

- be delayed in obtaining regulatory approval for our vaccine candidates, or not obtain regulatory approval at all;

- be required to add labeling statements;

- be subject to restrictions on how the vaccine is distributed or used; and

- be sued or held liable for injury caused to individuals exposed to or taking our vaccine candidates.

In addition, if one or more of our vaccine candidates receives regulatory approval, and we or others later identify undesirable side effects caused by such vaccines, a number of potentially significant negative consequences could result in, including but not limited to the following situations whereby:

- we may be forced to suspend marketing of the vaccine;
- regulatory authorities may withdraw approvals for the commercial sale of the vaccine;
- regulatory authorities may require additional warnings on the label;
- we may be required to conduct post-market studies;
- we could be sued and held liable for harm caused to participants; and
- our reputation may suffer.

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

The data and information that we gather in our research and development process could be inaccurate or incomplete.

We collect, aggregate, process, and analyze data and information from our pre-clinical studies and clinical programs. Because data in the vaccine industry is fragmented in origin, inconsistent in format, and often incomplete, the overall quality of data collected or accessed in the vaccine industry is sometimes subject to challenge, the degree or amount of data which is knowingly or unknowingly absent or omitted can be material, and we often discover data issues and errors when monitoring and auditing the quality of our data. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our vaccine candidates may be materially harmed and our business, prospects and reputation may suffer.

We also engage in the procurement of regulatory approvals necessary for the development and commercialization of our vaccine candidates, for which we manage and submit data to governmental entities. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we announce or publish from time to time are subject to audit and verification procedures that could result in material changes in the final data, in which case we may be exposed to liability to a customer, court or government agency that concludes that our storage, handling, submission, delivery, or display of health information or other data was wrongful or erroneous. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and

resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations. In addition, we rely on CROs, our business partners and other third parties to monitor and manage data for some of our ongoing pre-clinical and clinical programs and control only certain aspects of their activities. If any of our CROs, our business partners or other third parties do not perform to our standards in terms of data accuracy or completeness, data from those pre-clinical and clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For details, see "– Risks Relating to Our Dependence on Third Parties – We rely on third parties to conduct certain aspects of our clinical trials. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with relevant regulatory requirements, we may not be able to obtain regulatory approval for and commercialize our vaccine candidates and our business could be substantially harmed."

Interim and preliminary data from our clinical trials that we announce or publish from time to time are subject to changes.

From time to time, we may publicly disclose preliminary or top-line data from our pre-clinical studies and clinical trials, which is based on a preliminary analysis of then available data, whose results, related findings and conclusions are subject to changes following a more comprehensive review of such data. We also make assumptions, estimations, calculations and conclusions as part of our analyses progress, for which we may not necessarily receive or had the opportunity to fully and carefully evaluate all data. As a result, the top-line or preliminary results reported by us may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Top-line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, top-line data should be viewed with caution until the final data are available.

We may also disclose interim data from our pre-clinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risks that one or more of the clinical outcomes may materially change along with participant enrollment where more participant data become available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects. Furthermore, disclosure of interim data by us or our competitors could result in volatile prices of our Shares following the completion of the [**REDACTED**].

Moreover, others, including applicable regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses, or may interpret or weigh the importance of data differently, which could impact the value of our clinical project, the approvability or commercialization of our particular vaccine candidate or product and us in general.

Our vaccine candidates may cause AEs or undesirable side effects that could cause delay in or prevent us from, obtaining regulatory approvals, thus further diminishing the commercial viability of our vaccine candidates.

AEs and undesirable side effects caused by our vaccine candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the NMPA or other comparable regulatory authorities, or a significant change in our clinical protocol or even our development plan. Results of our clinical trials could reveal a high and unacceptable seriousness or prevalence of AEs. In such an event, our clinical trials could be suspended or terminated and the NMPA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our vaccine candidates for any or all indications. AEs related to our vaccine candidates could affect subject enrollment or the ability of enrolled participants to complete the trial and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly.

Additionally, if one or more of our vaccine candidates receive regulatory approval, and we or others later identify undesirable side effects caused by such vaccines, this may lead to a number of potentially significant negative consequences, including but not limited to, the following:

- regulatory authorities may withdraw or limit their approval of such vaccine candidates;
- regulatory authorities may require the addition of labeling statements;
- we may be required to change the way such vaccine candidates are distributed or administered, or change the labeling of the vaccine candidates;
- the NMPA or a comparable regulatory authority may require a risk evaluation and mitigation strategy plan to mitigate risks, which could include medication guides, physician communication plans or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools, and regulatory authorities in other jurisdictions may require comparable risk mitigation plans;
- we may be subject to regulatory investigations and government enforcement actions;
- the NMPA or a comparable regulatory authority may require us to conduct additional clinical trials or costly post-marketing testing and surveillance to monitor the safety and immunogenicity of the vaccines;
- we could be sued and held liable for injury caused to individuals exposed to or taking our vaccine candidates; and
- our reputation may suffer.

Any of these events could prevent us from maintaining regulatory approval or market acceptance of the affected vaccine candidates and could substantially increase the costs and difficulties of commercializing our vaccine candidates, if approved, and significantly undermine our ability to generate revenue.

The regulatory approval processes are lengthy and time-consuming, and the results are inherently unpredictable.

Our business is substantially dependent on our ability to develop, obtain regulatory approval for and successfully commercialize our vaccine candidates in a timely manner. We cannot commercialize our vaccine candidates without obtaining regulatory approval to market each product from the NMPA and other comparable regulatory agencies. The time required to obtain approval from these regulatory agencies is unpredictable but typically takes years following the commencement of pre-clinical studies and clinical trials and depends upon numerous factors, including the discretion of the regulatory authorities. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a vaccine candidate's clinical development and may vary among jurisdictions. Moreover, changes in regulatory requirements and guidance during our clinical trials may occur, which may result in necessary changes to clinical trial protocols, and therefore could increase our costs, delay the timeline for or reduce the likelihood of regulatory approval for our vaccine candidates. It is possible that none of our existing vaccine candidates or any vaccine candidates we may discover, in-license or acquire and seek to develop in the future will ever obtain regulatory approval, and any such failure could adversely affect our business, financial condition, results of operations and prospects.

In particular, our vaccine candidates could fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a vaccine candidate is safe and effective;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- our CROs failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- disagreement with regulatory authorities on the interpretation of data from pre-clinical studies or clinical trials;

- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols;

- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial; and

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

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Resubmission may increase our costs, be time consuming or even prevent us from initiating or completing the clinical trial. In addition, changes in government regulations or in practices relating to the vaccine industry, such as heightened standards imposed due to regulatory requirements, may increase the difficulty for us to reach such standards, and have a material adverse impact on our business, financial condition, results of operations, and prospects.

In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our vaccine candidates.

All material aspects of the research, development, manufacturing and commercialization activities of vaccines are heavily regulated.

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

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

We may not be able to comply with ongoing regulatory obligations and continued regulatory review even if we receive regulatory approval for our vaccine candidates.

The R&D, manufacturing and commercialization of our vaccine candidates are subject to ongoing regulatory requirements for manufacturing, labelling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information in China and any other jurisdictions where they receive BLA approvals. The NMPA, or a comparable regulatory authority in other jurisdictions may withdraw approval if compliance with regulatory requirements and standards is not maintained.

Moreover, previously unknown problems with our vaccine candidates or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may ensue following our receipt of regulatory approval and may result in revisions to the approved labelling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a risk evaluation and mitigation program. In addition, the manufacturing of vaccines, including pilot manufacturing, is subject to various regulatory requirements in China. We cannot guarantee that we are always in full compliance with all regulatory requirements in China in this regard. In such event, we may be subject to penalties, fines or other forms of penalties.

Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of our vaccine candidates, withdrawal of the vaccine from the market, or voluntary or mandatory product recalls;

- fines, untitled or warning letters, or holds on clinical trials;

- refusal by the NMPA or a comparable regulatory authority in other jurisdiction to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals;

- product seizure or detention, or refusal to permit the import or export of our vaccine candidates; and

- injunctions or the imposition of civil or criminal penalties.

Consequently, we will remain exposed to a variety of regulatory risks and related liabilities even if we are able to obtain regulatory approvals for our products.

Even if we obtain marketing approvals for our vaccine candidates, the terms of approvals and ongoing regulation of our products may limit how we manufacture and market our vaccines and compliance with such requirements may involve substantial resources, which could materially impair our ability to generate revenue.

Even if we receive regulatory approval for a vaccine candidate, this approval may carry conditions that limit the market for the product or put the product at a competitive disadvantage relative to alternative therapies. For instance, a regulatory approval may limit the indicated uses for which we can market a product or the participant population that may utilize the product or may be required to carry a warning in its labeling and on its packaging. Vaccines with additional warnings are subject to more restrictive advertising regulations than products without such warnings. These restrictions could make it more difficult to market any vaccine candidate effectively. Accordingly, assuming we receive marketing approval for one or more of our vaccine candidates, we will continue to expend time, money and effort in all areas of regulatory compliance, which may materially impair our ability to generate revenue.

We may allocate our limited resources to pursue the development and commercialization of a particular vaccine candidate or target a specific disease and fail to capitalize on vaccine candidates or diseases that may later prove to 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 vaccine research, development and commercialization programs to specific vaccine candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other vaccine 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 vaccines or profitable market opportunities. For instance, we invested a portion of our resources to the development of COVID-19 vaccines in response to the COVID-19 pandemic. We halted such development activities taking into account various factors.

In addition, if we do not accurately evaluate the commercial potential or target market for a particular vaccine candidate, we may relinquish valuable rights to that vaccine 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 vaccine candidate.

Any cessation or suspension of our collaborations with research partners may increase our costs in R&D, lengthen our new vaccines development process and lower our efficiency in new products development.

The success of our business may in part depend on collaboration and other strategic arrangements with third parties. We are collaborating with Chengda Biotechnology on the development of our 15-valent HPV candidate. For details, see "Business – Our Collaboration Agreement." The personnel of our research partners, however, are not our employees and may

have other commitments that limit their availability to us. If a conflict of interest arises between their work for us and their work for another entity, we may lose the services of these scientists and institutions. Any cessation or suspension of our collaborations with research partners may increase our R&D costs, lengthen our new vaccines development process and lower our efficiency in new products development. In addition, collaborative relationships in our industry can be complex, particularly with respect to intellectual property rights. Although those research partners are generally bound by agreements with us not to disclose our confidential information, any breach of such confidentiality obligation could cause leak of valuable proprietary knowledge to the public, third parties or even our competitors, which would compromise our competitive advantage and adversely affect our results of operations in a significant manner. Disputes may arise in the future regarding ownership rights to technology developed by or with other parties. These and other possible disagreements between us and third parties with respect to our licenses or our collaborative relationships could lead to delays in the research, development, manufacture and commercialization of our vaccine candidates. These disputes could also result in litigation or arbitration, both of which are time-consuming and costly. Furthermore, there is no assurance that our research partners would deliver adequate research results to support our product development. Our contracts with research partners generally set out research goals and specific project requirements. However, due to the limit of capabilities of these research partners, foreseeability of research results and technology and other potential restrains in research programs, it is possible that the research partners may face significant delays or difficulties in conducting research projects or may be unable or unwilling to complete the research. In those cases, they may not be able to deliver the R&D results as we originally planned so that we have to announce a partial or complete failure of the research program. Failure in completion of research projects as planned may delay our product developments or improvements, which could harm our competitive strength as well as results of operations.

RISKS RELATING TO OUR FINANCIAL POSITION AND PROSPECTS

We have incurred significant net losses since inception. We anticipate that we will continue to incur net losses for the foreseeable future and may fail to achieve or maintain profitability. As a result, you may lose substantially all of your [REDACTED] in us if our business fails.

We are a clinical-stage biotechnology company. Our operations to date have primarily focused on the vaccine development, including pre-clinical studies and clinical trials of our vaccine candidates. We have devoted most of our financial resources to research and development of our vaccine candidates, including our pre-clinical studies and clinical research and development activities. To date, we have financed our operations primarily through bank borrowings, investments from Pre-[**REDACTED**] Investors and the net proceeds from the listing of our Shares on the Beijing Stock Exchange and NEEQ. As of the Latest Practicable Date, we have not yet successfully advanced any vaccine candidates to commercial sale and have not generated any revenue from sales of vaccines. We have incurred significant expenses related to the research and development of our vaccine candidates. In 2022 and the nine months ended September 30, 2023, our research and development expenses amounted to RMB236.7

million and RMB177.0 million, respectively. As a result, we incurred net losses of RMB292.8 million and RMB224.9 million in 2022 and the nine months ended September 30, 2023, respectively. We may continue to incur significant expenses and operating losses for the foreseeable future.

Our ability to generate significant revenue in the next several years will depend primarily on the successful regulatory approvals, manufacture, marketing and commercialization of our vaccine candidates, which is subject to significant uncertainty. Even if we successfully obtain regulatory approvals for certain vaccine candidates, our future revenue will depend upon other factors, such as the size of any target markets in which our vaccine candidates have received approvals, and our ability to achieve sufficient market acceptance. Therefore, we cannot guarantee that we are able to generate sufficient revenue for the foreseeable future.

Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods thereafter. Our net losses have had, and will continue to have, an adverse effect on our working capital and shareholders' equity. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise additional capital, expand our business or continue our operations. Failure to become and remain profitable may also adversely affect the [**REDACTED**] of our H Shares. As a result, you may lose substantially all of your [**REDACTED**] in us if our business fails.

We had incurred and may continue to incur net current liabilities and net cash outflow from operating activities, which expose us to liquidity risk.

We recorded net current assets of RMB382.7 million as of December 31, 2022 and net current liabilities of RMB139.0 million as of September 30, 2023, respectively. The shift was primarily a result of the significant capital we invested into our continuous R&D activities and construction of Kunming facility to support our business. See "Financial Information – Liquidity and Capital Resources – Current Assets and Liabilities" for details. A net current liabilities position can expose us to liquidity and financial risks. This in turn could require us to seek financing from external sources such as debt issuance and bank borrowings, which may not be available on terms favorably or commercially reasonable to us, or at all.

We had net cash used in operating activities of RMB310.3 million and RMB115.8 million in 2022 and the nine months ended September 30, 2023, respectively. We may experience net cash outflows from our operating activities from time to time, although we believe we have sufficient working capital to fund our operations. See also "Financial Information – Liquidity and Capital Resources – Working Capital Sufficiency." Our forecast of the period of time through which our capital resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect.

If we are unable to maintain adequate working capital or obtain sufficient financings to meet our capital needs, we may be unable to continue our operations according to our plan, default on our payment obligations and fail to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may need to obtain substantial additional financing to fund our operations, and a failure to obtain necessary capital when needed would force us to delay, limit, reduce or terminate our vaccine development or commercialization efforts.

During the Track Record Period, we primarily funded our operations through bank borrowings, investments from Pre-[**REDACTED**] Investors and the net proceeds from the listing of our Shares on the Beijing Stock Exchange and NEEQ. We believe that we will continue to spend substantial resources on research and development and commercialization of our vaccine candidates. Our future capital requirements depend on many factors, including:

- the commercialization and sales of our vaccine candidates;
- the timing, receipt, and amount of sales of, or royalties or milestone payments on, our future vaccine products under the existing or future collaboration agreements, if any;
- the progress, results and costs of the pre-clinical, clinical and other studies of our other vaccine candidates;
- the timing of, and the costs involved in, obtaining regulatory approvals for our vaccine candidates;
- the cost and timing of future commercialization activities for our vaccines, if any of our vaccine candidates are approved for marketing, including vaccine manufacturing, marketing, sales and distribution costs;
- the costs involved in preparing, filing, prosecuting patent applications, maintaining, defending and enforcing our intellectual property rights, including litigation costs and the outcome of such litigation; and
- the extent to which we acquire or in-license other vaccine products, if any.

We plan to primarily use the [**REDACTED**] from the [**REDACTED**], bank borrowings and our existing cash to fund our future operations. We may also further require funding from equity or debt financing, or other resources. However, if commercialization of our vaccine candidates is delayed or terminated, or if our operating expenses increase, we may need to obtain additional financing to fund our operations. Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. Our ability to raise funds will depend on financial, economic and market conditions and other factors, many of which are beyond our

control. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate pre-clinical studies, clinical trials or other research and development activities or commercialization for one or more of our vaccine candidates, and in turn will adversely affect our business prospects.

If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2022 and September 30, 2023, we had intangible assets of nil and RMB152.9 million, respectively. While we did not recognize impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, the failure to achieve financial results commensurate with our intangible assets estimates may adversely affect the recoverability of such intangible assets, and in turn result in impairment losses. As we carry a substantial balance of intangible assets, any significant impairment losses charged against our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

We have historically received government grants and subsidies and we may not receive such grants or subsidies in the future.

We currently benefit from government grants and certain preferential tax treatments and tax concessions to support our business operations. Expiration of, or changes to, these incentives or government grants or our failure to satisfy any condition for these incentives or government grants would have an adverse effect on our results of operations. We recognized government grants as other income and gain of RMB1.0 million and RMB13.2 million in 2022 and the nine months ended September 30, 2023, respectively, which are of a non-recurring nature. Our eligibility for government grants is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the research and development progress made by other peer companies. In addition, the policies according to which we historically received government grants may be halted by the relevant government entities at their sole discretion. There is no assurance that we will satisfy all relevant conditions of government grants and incentives, or we will continue to receive such government grants or be eligible for preferential tax treatments or concessions or receive similar levels of government grants, preferential tax treatments or concessions, or at all, in the future.

Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technology platforms or vaccine candidates in our pipeline.

We may seek additional funding through a combination of equity offerings, debt financings, strategic collaborations, and licensing arrangements. To the extent that we raise additional capital through issuance of equity or convertible debt securities, your ownership interests will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. Furthermore, we have created, and may continue to, create forms of securities on our assets, including land use right, real properties and equity interests in subsidiaries to secure our loans and other borrowings. We could lose control of relevant assets under security, if the lenders enforce the collateral upon an event of default. Moreover, we may be required to relinquish rights to our technology platforms or vaccine candidates in our pipeline, which could materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO MANUFACTURING AND COMMERCIALIZATION OF OUR VACCINE AND VACCINE CANDIDATES

We face intense competition and rapid technological change, which may adversely affect our financial conditions and our ability to successfully commercialize our vaccine candidates.

There are intense and rapidly evolving competitions in the biotechnology, disease prevention and vaccine fields. We compete with a variety of multinational biopharmaceutical companies and developed vaccine companies, as well as vaccine research centers at universities and other research institutions. Many of our competitors have significantly greater financial, development, manufacturing, marketing, sales and supply resources or experience than we do. We believe that while our proprietary technology platforms, the associated intellectual properties, the characteristics of our existing vaccine candidates and potential future vaccine candidates, and our scientific and technical know-how together give us competitive advantages, competitions from many sources remain. Our commercial opportunity and success will be reduced or eliminated, if any competing vaccine manufacturing platforms become available that are more effective or less expensive than ours.

The market opportunities for our vaccine candidates may be smaller than we anticipate, which could render some vaccine candidates ultimately unprofitable even if commercialized.

We estimate the incidence and prevalence of target vaccination populations for particular diseases based on various third-party sources, such as scientific literature, surveys of clinics, participants foundations or market research, as well as internally generated analysis, and we use such estimates in making decisions regarding our vaccine development strategy, including determining on which candidates to focus our resources for pre-clinical or clinical trials. These estimates may be inaccurate or based on imprecise data. The total addressable market will depend on, among other things, acceptance of the vaccine by the medical community and vaccinee access, vaccine pricing and reimbursement. Furthermore, as all of our vaccine candidates are in early discovery, pre-clinical study or clinical trial stage, we have not formulated any concrete pricing strategy and the commercial prospects of our Core Products remain uncertain at this stage.

The number of vaccines approved in the addressable markets may increase, vaccinees may not be amenable to immunization with our vaccines, or new vaccines may become increasingly difficult to identify or access. Furthermore, new studies may change the estimated incidence or prevalence of the diseases that our vaccine candidates target, and the number of addressable vaccinees for our vaccine candidates in any case may turn out to be lower than expected. In such cases, even if we obtain significant market share for our vaccine candidates, because the potential target populations are small, we may never achieve profitability. Any of the above unfavorable developments could have a material adverse effect on our business, financial condition and results of operations.

Our vaccine candidates, once approved, may fail to achieve the degree of market acceptance by vaccinees, third-party payers and others in the medical community necessary for commercial success.

Even with the requisite approvals from the NMPA or other comparable applicable regulatory authorities, the commercial success of our vaccine candidates will depend, in part, on the acceptance of our vaccine candidates by physicians, vaccinees, third-party payers, and others in the vaccine or disease prevention industry. Any vaccine that we commercialize may fail to gain acceptance from physicians, vaccinees, third-party payers, and such potential users may prefer other vaccines. If these commercialized vaccine candidates do not achieve an adequate level of acceptance, we may not generate significant revenue and may not become profitable. The degree of market acceptance of our vaccine candidates, if approved for commercial sale, will depend on several factors, including:

- the diseases for which our vaccine candidates are approved;
- the efficacy and safety of such vaccine and vaccine candidates as demonstrated in clinical trials;

- the opinion of the physicians, hospitals and vaccinees considering our vaccines and vaccine candidates as safe and effective;
- the potential and perceived advantages of our vaccine and vaccine candidates over other vaccines;
- the cost advantages of vaccines related to alternative products;
- the willingness of the public to purchase private market vaccines;
- the availability of vaccines and level of convenience of dosing regimen, as compared with competing vaccines;
- the willingness and ability of local government entities to purchase our vaccine products;
- the target population's perception of the desirability of new vaccines;
- the prevalence and severity of any side effects;
- product labelling or product insert requirements of the NMPA or other comparable regulatory authorities;
- the strength of marketing and distribution support;
- the timing of market introduction of competing products;
- publicity concerning our vaccine products or competing products; and
- the effectiveness of our sales and marketing efforts.

Even if a potential product displays a favorable efficacy and safety profile in pre-clinical studies and clinical trials, market acceptance of the product will not be fully revealed until after it is launched.

Even if we are able to commercialize any vaccine candidates, the vaccine(s) may become subject to national or other third-party reimbursement practices or unfavorable pricing control or other regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement scheme for vaccine products vary widely from country to country. For example, the prices that we intend to charge for our vaccine may be subject to approval in many countries. As a result, we might obtain regulatory approval for a vaccine in a particular country but be subject to price regulations that would delay our commercial launch of the vaccine and thus negatively impact our revenue. Our ability to commercialize any approved vaccine candidates successfully will

also depend in part on the extent to which reimbursement for these vaccines where the related treatments will be available from government health administration authorities, private health insurers and other organizations. A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure of the availability of reimbursement for any particular vaccine candidate that we commercialize and, if the reimbursement is available, the level of reimbursement. Reimbursement may impact the demand for, or the price of, the approved vaccine candidates that we commercialize. Obtaining or maintaining reimbursement for approved vaccine candidates may be particularly difficult. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize any vaccine candidate that we successfully developed.

We have limited experience in launching and marketing vaccines. If we are unable to maintain sufficient marketing and sales capabilities, we may not be able to generate product sales revenues.

Our operations to date have been largely focused on developing our vaccine candidates, including undertaking pre-clinical studies and conducting clinical trials. We have not yet demonstrated our ability to manufacture vaccines at a commercial scale or arrange for a third party to do so on our behalf, or conduct sales, marketing and distribution activities necessary for successful commercialization for our vaccine candidates. Our ability to successfully commercialize our vaccine candidates may involve inherent risk. We may spend substantially more time and capital resources than companies with experience in launching and marketing vaccine candidates. We will have to compete with other pharmaceutical and vaccine companies to recruit, hire, train and retain marketing and sales personnel. There can be no assurance that we will be able to maintain adequate marketing and sales capabilities to support our future approved vaccine products. As a result, we may not be able to generate revenue from sales of our vaccine candidates.

The manufacture of vaccines is a highly exacting and complex process, which requires significant expertise and capital investment, and if we encounter problems in manufacturing our future products, our business could suffer.

The manufacture of vaccine products is a highly exacting and complex process, which requires significant expertise and capital investment. If problems arise in the course of producing a batch of vaccines or its component, that batch may need to be discarded, which would result in additional expenses and may also lead to product shortages. If problems are not discovered before the vaccine reaches the market, recall and product liability costs may also be incurred.

In the course of production, we may also face various other challenges including, but not limited to:

- longer-than-expected lead-up times to commence or ramp up production;
- failure to obtain sufficient work orders to efficiently utilize the full manufacturing capacity of the facility;
- supply shortages that prevent us from scaling up production;
- excess supplies that may expire and be written off; and
- low success rate of manufacturing products that meet regulatory requirements or our quality standards.

We cannot assure you that we will be able to resolve such issues in a cost-effective and timely manner. In addition, if we cannot achieve or maintain the GMP or specific cGMP standards that the NMPA and other regulatory authorities require for the manufacture of our vaccine candidates, such regulators may issue a warning against us, withdraw approvals previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, halting of production and distribution, refusal to permit the import or export of products or imposing civil and criminal penalties. Such regulators may also withdraw approvals if unexpected problems occur with our vaccine candidates, including AEs of unanticipated severity or frequency and side effects, which may lead to revisions to the approved labeling to add additional safety information, imposition of additional clinical studies to evaluate safety risks and/or other restrictions.

Furthermore, because of the complex nature of our vaccine candidates, we may not be able to manufacture them at a cost or in quantities or in a timely manner necessary to make commercially successful vaccine products. We may fail to effectively increase the efficiency of our manufacturing processes or control manufacturing costs and may therefore fail to compete with other products in terms of cost and price. In addition, as our vaccine portfolio increases and matures, we will have a greater need for clinical study and commercial manufacturing capacity. Any negative developments in respect of the above could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to manage our production capacity efficiently to satisfy market demands.

Because we have limited experience in launching and marketing our vaccine candidates, we may not be able to adjust our allocation quickly enough to address unexpected changes in customer demand and thereby avoid a negative business impact. Expansion and modification of our production facilities will, among other factors, increase our costs. For example, we will need to purchase additional equipment, and hire and train additional personnel. If we do not increase our sales accordingly, in order to offset these higher costs, our financial performance may be adversely affected.

Our products, like any other biologic products are susceptible to contamination.

Vaccine manufacturing usually requires cultivation steps, including growth of the appropriate organism and the use of substances of animal origin, which makes it easy to introduce a contaminant and to amplify low levels of contamination. In addition, manufacturing operations based on the sharing of equipment and facilities is common, which could result in contamination of our vaccine products. Moreover, other activities such as diagnosis and research are frequently linked to manufacture, and this may result in opportunities for cross-contamination. Any improper actions during the long-distance transportation, storage and delivery services may result in contamination of our vaccine products. Contamination of our vaccine products could cause customers or other third parties with whom we conduct business to lose confidence in the reliability of our manufacturing procedures, which could adversely affect our sales and profits. In addition, contaminated vaccines that are unknowingly distributed could result in harm on vaccinees, threaten the reputation of our vaccine products and expose us to product liability claims, criminal charges and administrative sanctions.

Any failure to perform proper quality control and quality assurance would have a material adverse effect on our business and financial results.

Manufacturing of vaccine products for commercial sale are subject to applicable laws, regulations and GMP requirements. These regulations and laws govern the manufacturing processes and procedures, such as record keeping, operating and implementing the quality management systems to control and assure the quality of investigational products and products approved for sale. We adopt stringent quality management standards at every stage of our manufacturing process not only to fulfil the legal requirements but to ensure a high-quality output. Apart, we perform extensive tests throughout the manufacturing processes to ensure the safety and effectiveness of our vaccine products. However, there can be no assurance that such standards or tests will be effective. We may, however, detect instances in which an unreleased product was produced without adherence to our manufacturing procedures or the raw material used in our manufacturing process was not collected to store in accordance with the GMP standards or other regulations, resulting in a determination that the implicated products should be destroyed. In addition, if we fail to comply with relevant quality control requirements under any laws or GMP standards, we could experience disruptions in manufacturing of our vaccine products, which could delay or prevent further sales of such products and may result in material adverse effect on our business and financial results.

Quality issues may also arise during the large-volume manufacturing process. If we are unable to maintain the consistent and high-quality manufacturing of our vaccine products during large-volume manufacturing, the sales of our vaccines may be unencouraged and interrupted. These could have a material adverse effect on our business and financial results.

Failure to establish a complete and effective network of cold-chain logistics providers may cause great risk of damage to our vaccine products and our reputation and business would suffer.

Vaccines are sensitive biological products. Some vaccines are sensitive to freezing, some to heat and others to light. To maintain quality and potency, vaccines must be stored in good conditions through cold-chain logistics providers. In order to maintain a reliable vaccine cold chain at manufacture level before delivery to our customers, we are required to, among others, establish a complete and effective network of cold-chain logistics providers to store vaccines and diluents within the approved temperature range at all sites, pack and transport vaccines to and from outreach sites according to recommended procedures, and perform regular oversight and monitor on the delivery process to our customers. If we or third parties we cooperated with fail to do so, our vaccine products may be exposed to inappropriate temperatures or other improper storage conditions and subject to potency diminishment or even potency loss. In this case, all the vaccine products are subject to quality damage and may need to be destroyed. As a result, our reputation and business would suffer.

If we fail to obtain regulatory approvals or comply with local laws and regulations in any jurisdictions outside of China, we may fail to market our products or be subject to penalties in those jurisdictions.

We are subject to the laws and regulations in relation to obtaining regulatory approval and business operation in China. In addition, we intend to carry out operations and market certain of our vaccine candidates, if approved, in jurisdictions outside of China. For example, we are conducting a phase III clinical trial in females aged 18-45 years in Indonesia for our nonavalent HPV vaccine candidate. We expect to submit a BLA for our nonavalent HPV vaccine candidate to the Indonesian BPOM for prevention of HPV infections and associated diseases in females in 2025 and leverage our clinical trial data collected in China and Indonesia to further expand to other ASEAN countries. However, effective clinical trial results in one jurisdiction may not be accepted by other jurisdictions. Penetration in any overseas market will require separate regulatory approvals in each market and compliance with numerous and varying regulatory requirements. The approval procedures vary among regions and countries which may involve requirements for additional testing, and the time required to obtain approvals may differ from that required to obtain NMPA approvals. In addition, our operation in overseas countries are subject to local laws and regulations which we may not be familiar with. Our limited experience in overseas markets may expose us to risks and uncertainties, including but not limited to the risks associated with the following:

- dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;

- substantial time which may be required for us to obtain approval for registering and selling our products in additional countries, especially in developed countries;

- commercializing our vaccines in new markets where we have limited experience with the dynamics and no sales and marketing infrastructure;
- higher costs for vaccine development and reliance on overseas partners for the development, commercialization and marketing of our vaccines;
- vaccine-product-related professional liability litigation and regulatory scrutiny arising from the marketing and sale of products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- compliance with laws and regulations on different aspects of our business operation;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness and inflation;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

In addition, in many countries outside of China, the prices that we intend to charge for our vaccines may be also subject to approval. Approval by the NMPA does not ensure approval by regulatory authorities in other countries or other jurisdictions, and *vice versa*. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. We may not obtain foreign regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our vaccines in any market.

Any delays in completing our manufacturing facilities, or any disruption in the development of new facilities, could reduce or restrict our production capacity or our ability to commercialize our vaccines, which could have a material and adverse effect on our business, financial condition and results of operations.

We are currently constructing our manufacturing facilities in Kunming. We have commenced an engineering trial run of our Kunming vaccine manufacturing facility for the manufacturing of our trivalent HPV vaccine candidate in August 2023. We plan to apply for a drug manufacturing license in the second half of 2024 to ensure that we can commence commercial production upon obtaining BLA approval. However, the establishment of our manufacturing facility and application of drug manufacturing license may encounter delays or interruptions due to a number of factors, some of which are beyond our control. Such delays and interruptions could reduce or restrict our production capacity, slow down our vaccine development and commercialization efforts, especially if we could not source manufacturing to a third party in a timely or cost-effective manner. Even if collaboration with a third party is feasible, we will need to apply for regulatory approval and incur additional manufacturing costs. All could have a material and adverse effect on our business operations, financial condition and results of operations.

Our Kunming facilities will be required to obtain and maintain regulatory approvals, including being subject to a variety of inspections by the NMPA or other comparable regulatory authorities to ensure compliance with GMP regulations. In particular, we need to obtain the drug manufacturing license before commencing vaccine production. If we fail to obtain such license as expected, we have to postpone our commercialization plan and require additional financial and human resources to rectify any deficiencies and meet applicable regulatory requirements, which could be time-consuming and costly and thus materially and adversely affect our business, financial condition, results of operations and prospects. If we are unable to obtain the drug manufacturing license for any reason, the investment made in constructing the new manufacturing facilities would be difficult to recover, which could result in substantial financial losses and a negative impact on our overall business. Furthermore, we will be subject to further review and inspections to assess compliance with GMP and adherence to commitments made in any BLA, other marketing application, and previous responses to any inspection observations if we were to build manufacturing facilities in the future. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. We cannot guarantee that we will be able to adequately follow and document our adherence to such GMP regulations or other regulatory requirements.

In addition, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain additional approvals, permits, licenses or certificates and we cannot assure you that we will be able to do so. Our failure to follow and document our adherence to such GMP regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical or, in the future, commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our vaccine

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

We may not be able to successfully sell our vaccine candidates, if approved, to CDCs.

Our vaccine candidates, if approved, are typically sold through different levels of CDCs in the PRC, which are government agencies administrating public health affairs. We are required to participate in a public tender process held by CDCs. Currently, all of our vaccine candidates are not included in the National Immunization Program (the "**NIP**") in China. Public tenders for non-NIP vaccines are held by provincial-level CDCs. CDCs will review and choose the qualified vaccine suppliers taking various factors into consideration, including but limited to clinical effectiveness of vaccine products, vaccine prices, service quality of tenderers, reputation and track record of tenderers. Once we win a public tender, we will be eligible for selling vaccine products to CDCs. However, we cannot guarantee that we are able to secure purchase orders from local CDCs, even if we bid successfully. For our existing vaccine candidates, if approved, public tenders serve as an admission for entry to market, typically for one year and in certain situations two or three years, without a specified volume, and the relevant CDCs will negotiate with us on the actual supply volume based on each CDC's demand. Therefore, winning the public tender does not guarantee that we will make sales to local CDCs and we may fail to secure subsequent product orders from local CDCs after we bid successfully at the higher level of CDCs. Therefore, our future interactions and collaborations with CDCs hold significant implications for our future vaccine sales, and building and maintaining a strong relationship with CDCs is crucial for our business. In addition, as CDCs are public authorities, our relationship with them involves a distinct dynamic compared to dealing with private companies. Any significant disruption in our connection with CDCs could materially harm our business, financial condition and results of operations.

RISKS RELATING TO OUR DEPENDENCE ON THIRD PARTIES

We have engaged in collaboration arrangements to develop and commercialize certain vaccine candidates and may continue to seek strategic partnerships and collaborations or enter into additional licensing arrangements in the future, which is subject to risks.

We are collaborating with Chengda Biotechnology on the development of our 15-valent HPV candidate. For details, see "Business – Our Collaboration Agreement." We have benefited from such arrangements, and we may continue to seek strategic alliances or enter into additional collaborations. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing shareholders, or disrupt our management and business. In addition, we face significant

competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Collaborations and partnerships involving our vaccine candidates are subject to numerous risks, which may include the following:

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

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

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

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

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

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

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

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

As an industry norm, we have engaged and plan to continue to engage third-party CROs to monitor and manage data for our completed and ongoing pre-clinical and clinical programs. We rely on clinical CROs to execute our clinical trials in certain respects, and do not control all aspects of their activities. Outsourcing these functions involves the risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. As a result, we have less control over the quality, timing and costs of these studies and the ability to recruit trial participants than if we conduct these trials wholly by ourselves. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated.

The staff of CROs engaged by us are not our employees and we cannot control whether or not they devote sufficient time, resources and oversight to our ongoing clinical programs. If we are unable to maintain or enter into agreements with these third parties on acceptable terms, or if any such engagement is terminated, we may be unable to conduct clinical trials in the manner that we anticipate. If these third parties fail to meet expected deadlines, timely transfer to us any regulatory information, adhere to protocols or act in accordance with regulatory requirements or our agreements with them, or if they otherwise perform in a sub-standard manner or in a way that compromises the quality or accuracy of their activities or the data they obtain, the clinical trials of our vaccine candidates may be compromised, delayed, prolonged, suspended or terminated, or our data may be rejected by the NMPA or other applicable regulatory authorities.

Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, such as GCP, GLP, GMP and human and animal testing regulations, each of which may be applicable and enforced by the NMPA or other applicable regulatory authorities for vaccine candidates in development. Regulatory authorities enforce these requirements through inspections of trial sponsors, investigators and clinical trial sites, and the fact that we rely on CROs to conduct our trials does not relieve us of our regulatory responsibilities. If we or any of our CROs fail to comply with applicable GCP requirements, the clinical data generated in the clinical trials may be deemed unreliable and the NMPA or other applicable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that such regulatory authority will determine that any of our clinical trials comply with all of their requirements, which in turn may require us to repeat such trials, which would delay the regulatory approval process. If CROs and manufacturers do not successfully carry out their contractual duties or obligations or meet expected deadlines, if the quality or accuracy of the clinical data CROs obtain is compromised due to their failure to adhere to our clinical protocols, the regulatory requirements or for other reasons, our clinical trials may be extended,

delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our vaccine candidates. Any of the above could result in a material adverse effect on our business, financial condition and results of operations.

We depend on third parties to provide a stable and adequate supply of quality materials, products and equipment for our vaccine development and manufacturing needs. Any disruptions of or significant price increases in such supply could adversely affect our business.

Our business operations require a substantial amount of raw materials, such as reagents and consumables, as well as equipment and other materials needed for research and development as well as manufacturing purposes. During the Track Record Period, we relied on third parties to supply certain materials. We expect to continue to rely on third parties to supply such materials and equipment for the research, development, manufacturing and commercialization of our vaccine candidates. For details, see "Business – Suppliers and Procurement."

Currently, the materials and equipment are supplied by multiple source suppliers. We have agreements for the supply of materials with manufacturers or suppliers that we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist. However, there is a risk that, if supplies are interrupted, it would materially harm our business. Any disruption in production or the inability of our suppliers to produce adequate quantities to meet our needs could impair our operations and the research and development of our vaccine candidates.

Moreover, we require a stable supply of materials for our vaccine candidates in the course of our research and development activities, and such needs are expected to increase significantly once we enter commercial production of vaccines upon receipt of marketing approval, but there is no assurance that current suppliers have the capacity to meet our demand. Any significant delay in receiving such materials in the quantity and quality that we need could delay the completion of our clinical studies, regulatory approval of our vaccine candidates or our ability to timely meet market demand for our commercialized products, as applicable. Our suppliers may not be able to cater to our growing demands or may reduce or cease their supply of materials to us at any time.

We are also exposed to the possibility of increased costs, which we may not be able to pass on to customers and as a result, lower our profitability. In the event of significant price increases for such materials, we cannot assure you that we will be able to raise the prices of our products and services sufficiently to cover the increased costs. As a result, any significant price increase for our needed materials may have an adverse effect on our profitability. Additionally, although we have implemented quality inspection on the materials before using them in the manufacturing process, we cannot assure you that we will be able to identify all of the quality issues.

In addition, we cannot assure you that these third parties will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the materials and equipment supplied to us, and cause delays in clinical trials and regulatory filings, or recall of our products. The non-compliance of these third parties may also subject us to potential product liability claims, cause us to fail to comply with the continuing regulatory requirements, and incur significant costs to rectify such incidents of non-compliance, which may have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We may not be successful in obtaining or maintaining effective intellectual property protection for one or more of our vaccine candidates. Even if we obtain the intellectual property protection, the scope of such intellectual property rights obtained may not be sufficiently broad and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

Our success depends in large part on our ability to protect our proprietary technology and vaccine candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the vaccine candidates and technology that we consider commercially important by filing patent applications in China and other countries, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. Any failure by us or our collaboration partners to obtain or maintain patent protection with respect to our vaccine candidates and technologies could materially adversely affect our business, financial condition, results of operations and prospects. In China, the CNIPA may require us to amend our patent applications after substantive examinations, including reducing the patentable coverage, and if we fail to respond within a specified period, our applications will be deemed to be withdrawn.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable territories. As a result, we may not be able to prevent competitors from developing and commercializing competitive vaccines in all such fields and territories. Furthermore, the patent position of biotechnology and vaccine companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

Patents may be invalidated, and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into separate non-disclosure and confidentiality agreements or agreements containing confidentiality clauses, with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaboration partners, outside scientific collaborators, contract manufacturers, consultants, advisers and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions. There is also no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found, which could be used by a third party to challenge the validity of our patents or prevent a patent from issuing from a pending patent application. Furthermore, China has adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

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

Patent protection depends on compliance with various procedural, regulatory and other requirements, and our patent protection could be compromised or eliminated due to non-compliance.

Periodic maintenance fees on any issued patent are due to be paid to the CNIPA and other patent agencies in several stages over the lifetime of the patent. The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

Claims that our vaccine candidates or the sale or use of our future products infringe the patents or other intellectual property rights of third parties could result in costly litigation that harm our reputation, or could require substantial time and money to resolve, even if litigation is avoided, or even result in unfavorable outcomes in intellectual property litigations that limit our R&D activities and/or our ability to commercialize our vaccine candidates.

Our commercial success depends upon our ability to develop, manufacture and commercialize our vaccine candidates without infringing the intellectual property rights of others. We cannot guarantee that our vaccine candidates do not and will not in the future infringe third-party patents or other intellectual property rights. Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or manufacture the vaccine candidates we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

It is also possible that we fail to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties that cover our vaccine candidates. Publication of discoveries in the scientific or patent literature often lags behind actual discoveries. Therefore, we cannot be certain that we were the first to invent, or the first to file patent applications on, our vaccine candidates or for their uses, or that our vaccine candidates will not infringe patents that are currently issued or that are issued in the future. In the event that a third party has also filed a patent application covering one of our vaccine candidates or a similar invention, our patent application may be regarded as competing applications and may not be approved in the end. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use. In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a vaccine candidate, or be forced, by court order or otherwise, to cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms. Furthermore, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated consequences.

If we are unable to protect the confidentiality of our trade secrets and other proprietary information, including unpatented know-how, technology and other proprietary information, our business and competitive position would be harmed.

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

Furthermore, some of our employees, consultants and advisors, including our senior management, were previously employed by other vaccine or biotechnology companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management or general management, but there is no assurance that we will not be subject to such claims or involved in litigations to defend against such claims in the future. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to our management.

Issued patents covering one or more of our vaccine candidates could be found invalid or unenforceable if being challenged in court. We may not be able to adequately maintain and protect our intellectual property rights.

Despite measures we take to obtain and maintain patent and other intellectual property rights with respect to our vaccine candidates, our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our vaccine candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from CNIPA, or other applicable counterpart authorities, or made a misleading statement, during prosecution.

Although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a vaccine candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to obtain a license to, develop, or commercialize our current or future vaccine candidates or technology. Any loss of patent protection could have a material adverse impact on one or more of our vaccine candidates and our business.

Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages, cease the sale of certain vaccines or enter into a license agreement and pay royalties (which may not be possible on commercially reasonable terms or at all).

Changes in patent laws could diminish the value of patents in general, thereby impairing our ability to protect our vaccine candidates.

Newly enacted patent laws can change the procedures through which patents may be obtained and by which the validity of patents may be challenged. These changes may impact the value of our patent rights or our other intellectual property rights. In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, the PRC Patent Law (《中華人民共和國專利法》) was revised and released on October 17, 2020 and came into effect on June 1, 2021 (the "**2021 Patent Law**"). If we are required to delay commercialization for a patent term, technological advances may develop and new products may be launched, which may in turn render our products non-competitive. We cannot guarantee that any other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

Intellectual property rights do not necessarily guard us against all potential threats to our competitive advantage.

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

- others may be able to make discoveries that are similar to our vaccine candidates or utilize similar technology that are not covered by the claims of the patents that we own or have exclusively licensed;

- we or any future collaborations might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may own in the future;

- we might not have been the first to file patent applications covering certain of our inventions;

- it is possible that our pending patent applications will not lead to issued patents;

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

- issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;

- we may obtain patents for certain technologies many years before we receive BLA approval for vaccines leveraging such technologies, and because patents have a limited life, which may begin to run prior to the commercial sale of the related vaccines, the commercial value of our patents may be limited;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive vaccines for commercialization in our major markets;

- we may fail to develop additional proprietary technologies that are patentable;

- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and

- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our vaccine candidates for the prevention of one or more diseases.

Any of the abovementioned events occur, we may regard these as threats to our competitive advantages and subsequently could have a material adverse effect on our business.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if ruled against us, could disrupt our business.

The validity, enforceability and scope of intellectual property rights protection in China are uncertain and still evolving. We cannot be certain that our vaccines and technologies do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Our Directors confirmed that, during the Track Record Period, we were not involved in any instances of infringement of third parties' intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management and technical personnel from the operation of our business. These types of claims could also potentially adversely impact our reputation and our ability to conduct business and raise capital, even if we are ultimately absolved of all liability. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more tests and could result in a substantial award of damages against us. Intellectual property litigation can be very expensive, and we may not have the financial means to defend ourselves or our customers or collaboration partners.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our vaccines or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our products. A substantial amount of litigation involves patents and other intellectual property rights in our industry. If a third-party claims that we infringe upon a third-party's intellectual property rights, we may have to:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;

- abandon any vaccines alleged or held to infringe, or redesign our products or processes to avoid potential assertion of infringement;

- pay substantial damages including, in exceptional cases, up to five folds of damages and attorneys' fees, if a court decides that the vaccine product or proprietary technology at issue infringes upon or violates the third party's rights;

- pay substantial royalties or fees or grant cross-licenses to our technology; and/or

- defend litigation and/or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

Furthermore, protracted litigation could also result in the vaccinees or potential vaccinees deferring, reducing or cancelling their purchase of our vaccine products. We could also face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our reputation, business, financial condition, results of operations and prospects could be adversely affected.

We may not be able to protect our intellectual property rights in overseas jurisdictions that we plan to enter.

Filing and prosecuting patent applications and defending patents covering our vaccine candidates in overseas jurisdictions could be prohibitively expensive. As of the Latest Practicable Date, we have one granted patent in South Africa, one pending patent application in Indonesia and eight pending PCT patent applications. We are seeking to apply for more intellectual property rights in overseas jurisdictions that we plan to enter, however, we may not be able to obtain sufficient and effective protection in those jurisdictions. Competitors may use our technologies in jurisdictions in which we have not obtained patent protection to develop their own vaccine candidates and may export otherwise infringing vaccine candidates to territories, where we have patent protection, given that the levels of law enforcement vary across jurisdictions. These vaccine candidates may compete with our vaccine candidates, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant difficulties in registering, protecting and defending such rights in some jurisdictions. Furthermore, the legal systems of certain countries do not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing vaccine candidates in violation of our proprietary rights generally. Proceedings to enforce our patent rights in other jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing as patents, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, there can be no assurance that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may expect to market our vaccine candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which

may have a material adverse effect on our ability to successfully commercialize our vaccine candidates in all of our expected significant markets. If we encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished, and we may face additional competition from others in those jurisdictions.

RISKS RELATING TO OUR OPERATION

Any failure to comply with applicable laws or regulations, or failure to maintain governmental licenses or permits could jeopardize our reputation and business.

The vaccine industry in China and overseas is highly regulated and subject to extensive government regulation and supervision. In particular, the regulatory framework addresses all aspects of operations in the vaccine industry, ranging from pre-clinical studies, clinical trials, product registration, production, transportation and storage, quality control to permission for sales, or lot releases, and requires various licensing, certification and satisfaction of regulatory or industry standards in relation to these aspects of operations, as well as compliance with GMP requirements. We are also subject to environmental protection, safety and health laws and regulations. For details, see "Regulatory Overview." Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business or cause our failure to obtain lot releases for products, which would make those products unsellable. In addition, we are also subject to periodic inspections, examinations or inquiries by the regulatory authorities. However, we cannot assure that we may be able to detect or prevent all potential compliance issues, violations or misconducts beforehand, or that our remedial measures taken to resolve the problems identified by the regulatory authorities are always perceived as satisfactory to them. In such cases, an adverse outcome of such inspections, examinations or inquiries may happen, which could result in loss or non-renewal of the relevant permits, licenses and certificates, or an order to suspend or cease production.

Given the number and complexity of these regulations, compliance may be difficult and may cost us significant financial and other resources in setting up efficient compliance and monitoring systems. As of the Latest Practicable Date, we had obtained all the material licenses, approvals and permits from, and completed necessary registrations with the relevant government authorities that are material for our current business operations in the PRC pursuant to the relevant laws and regulations or the requirements of the competent authority. However, these regulations constantly evolve, and the criteria used in reviewing applications for, or renewals of licensing and certification in the vaccine industry may change and be more restrictive, and the regulatory regime over the vaccine industry, or any particular aspect thereof, may change from time to time or tighten or become more restrictive. Any enhanced regulatory requirements related to our business may make us bear higher compliance costs and we may face more severe administrative penalties for failure of compliance.

As a result, if we fail to, or are perceived to fail to, comply with applicable regulatory requirements at any stage during the R&D, manufacturing, transportation and storage process, including following any product approval, we may lose access to the market that only allows sales of products meeting those standards or requirements and may also be subject to sanctions which could have a material and adverse effect on our business, financial condition and results of operations, such as:

- monetary penalties;
- product recalls or seizure;
- injunctions;
- total or partial suspension of production;
- refusal of regulatory agencies to review approval applications or supplements to approval applications;
- withdrawals, revocation or non-renewal of approvals, license or permits previously issued; and
- criminal prosecution.

Our future success depends on our ability to attract, retain and motivate qualified personnel, scientific employees and other key personnel in our R&D team, manufacturing team and marketing team.

Our business and growth depend on the continued service of our qualified personnel, scientific employees and other key personnel in our R&D team to develop vaccines. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To incentivize valuable employees to remain at our Company, in addition to salary and cash incentives, we have adopted a Restricted Share Incentive Plan to recognize and reward the contribution of certain directors and employees. The value to employees of these equity grants may be significantly affected by movements in the Share price that are beyond our control and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice. In addition, we rely on consultants and advisors, including our scientific advisory board, to assist us in formulating our technological innovation and product development strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

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

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

We may encounter difficulties in managing our growth and expanding our operations successfully.

Our success will depend upon our ability to expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various strategic partners, suppliers and other third parties. Future growth will impose additional responsibilities on members of management. Our ability to commercialize our vaccine candidates and our future financial performance will depend substantially on whether we are able to manage the future growth effectively. Therefore, hiring, training and integrating additional management, administrative and sale and marketing personnel is crucial in further ensuring effective product development and commercialization in future. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing our company.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. As of the Latest Practicable Date, we were not involved in any litigations and legal proceedings that may materially affect our research and development of our vaccine candidates, business and results of operations. Any claims, or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Fluctuations, particularly downturns, in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic fluctuations or downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors, including extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

In addition, concerns over the recent Russia-Ukraine conflicts, unrest and terrorist threats in the Middle East and other territories, among others, add uncertainties to the financial markets worldwide. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

We may be subject to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operation.

Any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, H1N1 influenza, the Ebola virus or COVID-19, may materially and adversely affect our business, financial condition and results of operations. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

We may be restricted from transferring our data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (科學數據管理辦法), or the Scientific Data Measures, which provide 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. Furthermore, 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. If and to the extent our research and development of vaccine candidates will be subject to the Scientific Data Measures and any relevant 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. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of vaccine 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 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.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and administrative regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man liability insurance. However, we cannot assure you that our insurance coverage is sufficient to cover all of our risk exposure and prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. For details of our insurance policies, see "Business – Insurance."

The vaccine industry in the PRC is still evolving, and any material unwanted events as regards vaccine safety and efficacy may erode public confidence in vaccine products and have an adverse effect on our business and financial conditions.

China's vaccine market is a developing market and expect to be driven by, among others, increasing availability of innovative vaccines and fast-growing needs of preventative vaccines in response to pandemic. China continues to demand more safe and high-quality vaccines that can provide effective protection for vaccinated population. Any material AEs reflecting vaccination safety and efficacy issues, such as serious vaccine quality issues, recalls or temporary suspension, failure in supply chain management or cold chain logistics, counterfeit or other inferior products, may possibly diminish the public confidence in vaccine products and subsequently have a negative impact on vaccine developers, manufacturers and disease control authorities. Historically, there were several vaccine sales accidents reported in China, which adversely impacted public confidence in immunizations and slowed the market growth pace that year. These reports have eroded public confidence in domestic vaccines and the reputation of domestic vaccine manufacturers.

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials, including chemicals. Our operations may also produce hazardous waste products. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials or disposal of hazardous materials by third parties or us, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. Although we have adopted a series of internal procedures and policies on how to deal with such risks and issues, we cannot guarantee that our internal procedures and policies will be effective with respect to all the issues that may occur during our operations.

We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or manufacturing efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Although we maintain injury insurance for all employees as required by applicable laws and regulations to cover costs and expenses incurred due to work-related injuries to our employees, and we purchase accident insurance for employees exposed to higher risks to injuries, such insurances may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of hazardous or radioactive materials. For details, see "Business – Insurance" and "Business – Environmental, Social and Corporate Governance."

Our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

We are exposed to the risk of fraud, misconduct or other illegal activities by our employees, independent contractors, consultants, commercial partners and vendors. Misconduct by these parties could include intentional, reckless and negligent conduct that fails to:

- comply with the regulations, guidelines and guidance of the NMPA, the WHO and other comparable regulatory authorities;

- provide true, complete and accurate information to the NMPA, the WHO and other comparable regulatory authorities;

- comply with manufacturing standards we may establish;
- comply with healthcare fraud and abuse laws in the PRC, the United States, the EU, and similar fraudulent misconduct laws in other applicable jurisdictions; or
- report financial information or data accurately or disclose unauthorized activities to us.

If we obtain approval for any of our vaccine candidates and begin commercializing those products in the PRC or other applicable jurisdictions, our potential exposure under the laws of such jurisdictions will increase significantly and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with PIs and research participants, as well as future sales, marketing and education programs. In particular, the promotion, sales and marketing of healthcare items and services, as well as certain business arrangements in the healthcare industry, are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, structuring and commission(s), certain customer incentive programs and other business arrangements generally. Activities subject to these laws also involve the improper use of information obtained in the course of participant recruitment for clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation.

The existence of legal, regulatory and administrative proceedings against any of our employees, independent contractors, consultants, commercial partners and vendors, even if they do not involve our company, may harm our reputation, and adversely affect our business and operations. In addition, it is not always possible to identify and deter misconduct by employees and other parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

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

Our strategies include plans to grow both organically and through acquisition, participation in joint ventures or other strategic alliance. Joint ventures and strategic alliances may expose us to new operational, regulatory and market risks, as well as risks associated with additional capital requirements. We face significant competition in seeking appropriate targets strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our vaccine candidates. Even when acquisitions are completed, we may encounter difficulties in integrating the acquired entities and businesses, such as difficulties in retention of personnel, challenge of integration and effective deployment of operations or technologies and assumption of unforeseen or hidden material liabilities or regulatory

non-compliance issues. As a result, we may not achieve the operational or economic synergies expected from such acquisitions. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties, many of which are beyond our control. Any of these events could disrupt our business plans and strategies, which in turn could have a material adverse effect on our financial condition and results of operations. If and when we collaborate with a third party for the development and commercialization of a vaccine candidate, we can expect to relinquish some or all of the control over the future success of that vaccine candidate to the third party.

Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic partnership or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the assimilation of operations, corporate culture and personnel of the acquired business;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and its existing products or vaccine candidates and regulatory approvals;
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs; and
- changes in accounting principles relating to recognition and measurement of our investments that may have a significant impact on our financial results.

If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a vaccine candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

Additionally, our future acquisition targets may not provide us with the intellectual property rights, technology, research and development capability, production capacity or sales and marketing infrastructure we had anticipated, or they may be subject to unforeseen liabilities. We may be unable to successfully increase the efficiencies of the acquired businesses in the manner we contemplated or devote more resources and management attention than desirable to the integration and management of the acquired businesses. Hence, there can be no guarantee that we will be able to enhance our post-acquisition performance or grow our business through our recent or future acquisitions.

Negative publicity involving us, our Shareholders, Directors, management personnel, employees and business partners may adversely affect our reputation and business prospects.

Our ability to maintain our reputation depends on a number of factors, some of which are out of our control. We may face negative publicity, claims, disputes and allegations, which may have a material and adverse impact on our reputation, even if untrue or inaccurate. Moreover, any negative publicity, claims, disputes and allegations involving, any conduct of, and any matters affecting the reputation of, other parties, including our Shareholders, Directors, management personnel, employees and business partners, could have a material and adverse impact on our business and reputation. We may be required to spend significant time and incur substantial costs to respond and protect our reputation, and we cannot assure you that we will be able to do so within a reasonable period of time, or at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our information technology system, or those used by our partners or other contractors or consultants, may fail or suffer security breaches or other disruptions, which could adversely affect our business and reputation.

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

We could be subject to risks caused by misappropriation, misuse, leakage, falsification, or intentional or accidental release or loss of information maintained in the information systems and networks of us and our vendors, including personal information of our employees and participants, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyberattacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our

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

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 the further development and commercialization of our vaccine candidates could be delayed.

If we fail to implement our business strategies effectively, our business, financial condition and results of operations may suffer.

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies. For further details, see "Business – Our Strategies." However, our development and expansion plans reply on our clinical development and market prospects. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our ability to implement our business strategies depends on, among other things, the general economic conditions in the PRC, our ability to continue to maintain close relationships with our key customers, the increasing spending by the PRC government on public works projects, the current growth prospects for private development projects, the availability of management, financial, technical, operational and other resources, and competition. The implementation of these strategies is therefore subject to factors beyond our control, we cannot assure you that our future growth will be at a rate comparable to that in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

If we fail to maintain or implement an effective internal control system, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.

If we fail to maintain or implement an effective internal control system over financial reporting, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause [**REDACTED**] to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our results of operations and lead to a decline in the [**REDACTED**] of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential penalties, regulatory investigations and civil or criminal sanctions.

Changes in the economic policies, as well as the evolving laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic and legal developments in the PRC. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial laws. In addition, the application, interpretation and enforcement of the laws and regulations relating to vaccine industry also evolve from time to time. Any of the foregoing may affect our business, financial condition, results of operations and prospects.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and [REDACTED].

We expect that a substantial majority of our revenue will be denominated in Renminbi. Any appreciation or depreciation in the value of the RMB or other foreign currencies that our operations are exposed to will affect our business in different ways. Any significant change in the exchange rates of the HKD against RMB may materially and adversely affect the value of, and any dividends payable on, our H Shares in HKD. An appreciation of RMB against the HKD would also result in foreign currency translation losses for financial reporting purposes when we translate our HKD denominated financial assets into RMB, as RMB is the functional currency of our subsidiaries and consolidated affiliated entities within China. Conversely, if we decide convert our RMB into HKD for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the HKD against RMB would have a negative effect on the HKD amount available to us. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value

of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

[REDACTED] may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and the majority of our assets and subsidiaries are located in the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management are also mostly located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC.

Although we will be subject to the Listing Rules and the Hong Kong Takeovers Code upon the [**REDACTED**], the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Hong Kong Takeovers Code do not have the force of law in Hong Kong.

We are subject to risks associated with leased properties.

As of the Latest Practicable Date, we leased 17 properties with an aggregate GFA of approximately 8,641 sq.m., including 15 properties in China and two properties in Indonesia. Upon expiration of the leases, we will need to negotiate for renewal of the leases and may have to pay increased rent. We cannot assure you that we will be able to renew our leases on terms which are favorable or otherwise acceptable to us, or at all. If we fail to renew any of our leases or if any of our leases are terminated or if we cannot continue to use any of our leased property, we may need to seek an alternative location and incur expenses related to such relocation, and our operation and businesses may also be disrupted or even suspended if we are not able to complete the relocation, including the reconstruction of relevant facilities in the new location, in a timely manner.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. We have not completed lease registration with the relevant regulatory authorities for each of our leases in China. According to our PRC Legal Advisor, the failure to complete the registration process does not affect the validity of the property lease agreements but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. We cannot assure we will not be subject to any penalties arising from the non-registration of lease agreements in the future. As advised by our PRC Legal Advisor, such non-compliance does not affect the validity of the property lease agreement according to PRC Civil Code and will not have a material adverse effect on the [**REDACTED**].

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

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

The PRC Vaccines Administration Law may impose unprecedented regulatory compliance challenges on our business in China.

On June 29, 2019, the Standing Committee of the NPC promulgated the PRC Vaccines Administration Law (《中華人民共和國疫苗管理法》) (the "**Vaccines Administration Law**"). The Vaccines Administration Law, together with the newly revised PRC Drug Administration Law (《中華人民共和國藥品管理法》) promulgated on August 26, 2019 (the "**Revised Drug Administration Law**"), came into effect on December 1, 2019. With this new enactment, vaccines development, production and circulation, vaccination and supervision and administration within the territory of the PRC are all subject to this Vaccines Administration Law. Among others, the Vaccines Administration Law imposes on us obligations of mandated manufacturing, safekeeping of sales records, setting up electronic traceability system of vaccines, purchasing compulsory vaccines liability insurance, post-market management of vaccines, mandatory disclosure system as well as increasingly severe regulatory punishment in cases of non-compliance.

Adhering to strong safety awareness, stringent risk management and control methods, concurrent scientific supervision, as well as a societal co-governance scheme, this Vaccines Administration Law is considered as, arguably, the strictest regulatory framework for vaccine business in China. As we strive to provide the utmost protection to human safety while conducting our business, our compliance cost under the current vaccine regulatory framework may be unprecedentedly high. For example, under the new Vaccines Administration Law, we are required to establish vaccines electronic traceability system to be linked with the national vaccine electronic traceability collaboration platform, for the purpose of integrating whole process traceability information on vaccine production, circulation and vaccination so as to realize the traceability of vaccines. Setting up and maintaining the smooth running of such a system would cause us additional costs in not only gathering resources and developing the system, but also sourcing data and statistics management experts. Our management and in-house experts might need to spend additional time on decoding and integrating the new rules into our day-to-day operations, which could potentially distract their attention on ongoing essential corporate affairs.

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, national and international data protection and privacy laws, directives regulations and standards, as well as contractual obligations 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. These data protection and privacy law regimes 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 confiscation of clinical samples and data, enforcement action against us, 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.

The personal information of patients or subjects for our clinical trials is highly sensitive and we are subject to strict requirements under the applicable privacy protection regulations in the relevant jurisdictions. Whilst we have adopted security policies and measures to protect our proprietary data and patients' privacy, data leakage and abuse might not be completely avoided, due to hacking activities, human error, employee misconduct or negligence or system breakdown, among other reasons. We also cooperate with hospitals, CROs and other business partners, contractors 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. 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.

RISKS RELATING TO THE [REDACTED]

Our A Shares are listed on the Beijing Stock Exchange and the characteristics of the Beijing Stock Exchange and the Stock Exchange may differ.

Our A Shares were listed on the Beijing Stock Exchange in 2023. Following the [**REDACTED**], our A Shares will continue to be traded on the Beijing Stock Exchange and our H Shares will be [**REDACTED**] on the Stock Exchange. Under current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different [**REDACTED**] characteristics, the H Share and A Share markets have divergent [**REDACTED**], liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [**REDACTED**] of our H Shares, and *vice versa*. The fluctuations in the price of our A Shares may also affect our Listing in Hong Kong. Due to the different characteristics of the H Share and A Share [**REDACTED**], the historical prices of our A Shares may not be indicative of the [**REDACTED**] of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [**REDACTED**] decision in our H Shares.

We are subject to the listing rules of the Beijing Stock Exchange and other regulatory requirements in relation thereto.

As we are listed on the Beijing Stock Exchange and will be [**REDACTED**] on the Main Board of the Stock Exchange following the completion of the [**REDACTED**], we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Before our listing on the Beijing Stock Exchange in March 2023, our Shares had been quoted on the NEEQ, during which time, we received two self-disciplinary regulatory measures from NEEQ. In February 2022, NEEQ issued a warning letter, as a self-disciplinary regulatory measure and not a public sanction according to our PRC Legal Advisor, to us, Mr. HAO Chunli and Ms. DONG Wei, mainly in relation to our previous practice of capitalizing certain research and development expenses in a manner that was deemed insufficiently conservative, and inappropriate accounting treatment for the recognition of research and development expenses. This practice was attributable to the absence of explicit guidance within the accounting standards, as well as changes in regulations concerning vaccine registration. In March 2022, NEEQ issued a verbal warning, also as a self-disciplinary regulatory measure, to us, Mr. HAO Chunli, Ms. DONG Wei and Mr. YI Chuanchao due to our unauthorized use of funds raised from our share offering in 2019. Due to unforeseen changes in our funding needs and low cash reserves at the time, we modified the intended utilization of the raised funds. We became subject to the self-disciplinary regulatory measure because we convened board and shareholder meetings retrospectively to approve the actual use of the funds. As advised by our PRC Legal Advisor, such regulatory measures did not constitute an administrative penalty against us and were solely self-disciplinary regulatory measure imposed by NEEQ Co., Ltd. In addition, as confirmed by our PRC Legal Advisor, these two self-regulatory measures do not imply any legal violations by our Group or individuals involved, and neither our Group nor the individuals have received any related administrative penalties from any authorities, including from the CSRC; they also do

not affect the ability of the individuals involved to hold positions as directors and executives under PRC law within our Group. As of the Latest Practicable Date, other than the two self-disciplinary measures, we were not subject to any regulatory investigations, administrative actions, fines or penalties, or non-compliance records. However, we cannot assure you that we will comply with all applicable listing rules in the future. Any violation or non-compliance could have a material adverse effect on the [**REDACTED**] of our [**REDACTED**] Shares, or even our [**REDACTED**] status, which would further affect our business, financial condition, results of operations and prospects.

An active [REDACTED] market for our H Shares may not develop.

Even if our A Shares are listed on the Beijing Stock Exchange, we cannot assure you that a [**REDACTED**] for our H Shares with adequate liquidity will develop and be sustained following the completion of [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares may not be indicative of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares could be materially and adversely affected.

[In particular, the [**REDACTED**] to be [**REDACTED**] by the Cornerstone Investors will also be subject to a lock-up period of six months from the [**REDACTED**]. Therefore, upon completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, approximately [**REDACTED**]% of our Shares will be subject to lock-up.] As a result, a [**REDACTED**] on the Hong Kong Stock Exchange does not guarantee that an active and liquid trading market for our Shares will develop, especially during the period when a significant portion of our Shares are subject to [**REDACTED**], or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the Shares will rise following the [**REDACTED**].

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could result in substantial losses for [REDACTED] who purchase our H Shares in the [REDACTED]. In addition, the [REDACTED] of our Shares will be affected following announcements and data releases regarding vaccines similar to ours.

The [**REDACTED**] and [**REDACTED**] of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, strategic alliances or acquisitions, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our vaccines after approval, could cause large and sudden changes to the [**REDACTED**] and [**REDACTED**] at which our H Shares will trade. In addition, we cannot predict public reaction or the impact on the [**REDACTED**] of our H Shares once further announcements regarding developments from our on-going clinical trial are announced. Furthermore, the Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the [**REDACTED**] of our H Shares.

Future sales or perceived sales of significant amounts of our H Shares in the public market following the [REDACTED] could materially and adversely affect the [REDACTED] of our H Shares.

The [**REDACTED**] of our H Shares could decline as a result of future [**REDACTED**] of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the [REDACTED] of our H Shares could fall during the period before [REDACTED] of our H Shares begins.

The [**REDACTED**] of our H Shares will be determined at HK$[**REDACTED**] to HK$[**REDACTED**]. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**] date. As a result, [**REDACTED**] may not be able to sell or [**REDACTED**] our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the [**REDACTED**] of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Our Controlling Shareholders have significant influence over us, and their interests may not be aligned with the interest of our other Shareholders.

Our Controlling Shareholders have significant influence over our operations and business strategies and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always align with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the [REDACTED] of our H Shares to decrease significantly, and/or dilute shareholdings of holders of our H Shares.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance that we will pay dividends.

Pursuant to Shareholders' resolution dated May 15, 2023, we distributed stock dividends, giving each Shareholder ten additional Shares for every ten existing Shares without consideration. No other dividend has been paid or declared by the Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Holders of H Shares may be subject to PRC taxations.

Under the applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H shares ("non-resident individual holders"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced under applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares ("non-resident enterprise holders") are both subject to PRC EIT at a rate of 10%, unless reduced under applicable tax treaties or arrangements. Pursuant to the Arrangements 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 Incomes

(《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay EIT for the dividends.

For non-resident individual holders, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (《財政部、國家税務總局關於個人所得税若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) promulgated on March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax since January 1, 1997. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Taxation Administration.

Non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H Shares. For details, please refer to "Appendix III – Taxation and Foreign Exchange" to this Document.

Forward-looking statements contained in this Document are subject to risks and uncertainties.

This Document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terms such as "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "plan," "potential," "project," "seek," "should," "will," "would" or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statement could be incorrect. The inclusion of forward-looking statements in this Document should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Beijing Stock Exchange.

As our A Shares are listed on the Beijing Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release our financial and operational information on the Beijing Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the [**REDACTED**]. The presentation of financial and operational information for the Track Record Period disclosed on the Beijing Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this Document. As a result, prospective [**REDACTED**] in our H Shares should be reminded that, in making their [**REDACTED**] decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this Document. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and any formal announcements made by us in Hong Kong with respect to the [**REDACTED**].

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various publicly available official sources and independent third-party sources, including the industry expert reports, contained in this document.

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

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this Document, there has been press and media coverage regarding us and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this Document, including

certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it, and you should not rely on such information.

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

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since all our business operations are not principally located, managed or conducted in Hong Kong, our Company does not, and, for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is a regular and effective communication between the Stock Exchange and us by way of the following arrangements:

(a) both of our Company's authorized representatives, Mr. HAO Chunli (郝春利), an executive Director, vice chairman of the Board and the chief operating officer, and Mr. CHUNG Ming Fai (鐘明輝), a joint company secretaries of our Company, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and email;

(b) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(c) each Director has provided his or her mobile phone number, office phone number, fax number (if any) and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives;

(d) each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(e) we have appointed SPDB International Capital Limited as our compliance adviser (the "**Compliance Adviser**"), in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the [**REDACTED**] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the [**REDACTED**]. Pursuant to the Note of Rule 3A.23, the Compliance Adviser will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange;

(f) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Adviser; and

(g) we will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [**REDACTED**].

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Chartered Governance Institute; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules further sets out that in assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions)

Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the management for a period of time and is familiar with our Company's business and affairs as a company secretary.

We have appointed Ms. HUANG Haiyan (黃海燕) ("**Ms. Huang**") as one of our joint company secretaries. Ms. Huang is also the secretary of the Board. Her biographical information is set out in "Directors, Supervisors and Senior Management" section. Since Ms. Huang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Accordingly, we [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Huang as our joint company secretary. In order to provide support to Ms. Huang, we have appointed Mr. CHUNG Ming Fai (鍾明輝) ("**Mr. Chung**"), a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia, who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Ms. Huang, for a three-year period from the [**REDACTED**] so as to enable her to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties.

Pursuant to the Chapter 3.10 of the Guide for New Listing Applicants, such waiver has been granted on the conditions that:

(a) Mr. Chung is appointed as a joint company secretary to assist Ms. Huang in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules;

(b) this waiver will be revoked immediately if and when Mr. Chung ceases to provide such assistance during the three-year period, and we undertake to re-apply to the Stock Exchange for a waiver in the event that Mr. Chung ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of the Company;

(c) our Company will further ensure that Ms. Huang has access to the relevant training and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of an issuer [**REDACTED**] on the Stock Exchange. The Company's Hong Kong legal advisors have provided training to Ms. Huang on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to the Company after its [**REDACTED**]. In addition, Ms. Huang will endeavor to familiarize herself with the Listing Rules, including any updates thereto, during the three-year period from the [**REDACTED**];

(d) Ms. Huang has confirmed that she will attend no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong [**REDACTED**] issuer during each financial year as required under Rule 3.29 of the Listing Rules; and

(e) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

See the section headed "Directors, Supervisors and Senior Management" in this Document for further information regarding the qualifications of Ms. Huang and Mr. Chung.

EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(B) OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this Document a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this Document as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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

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

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

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

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report of the Company as appended to this Document is currently prepared to cover the financial year ended December 31, 2022 and nine months ended September 30, 2023 and it will be prepared to cover two financial years ended December 31, 2023 prior to the [**REDACTED**].

Accordingly, we [have applied to] the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and a certificate of exemption [has been granted] by the SFC under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the conditions that (i) the particulars of the exemption are set forth in this Document, and (ii) this Document must be issued on or before [**REDACTED**] on the following grounds:

(a) our Company is a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the Accountants' Report for the two years ended December 31, 2023 will be disclosed in the Document of the Company and is set out in Appendix I to this Document in accordance with Rule 18A.06 of the Listing Rules;

(c) notwithstanding that the financial results set out in this Document are only for the two years ended December 31, 2023 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Document pursuant to the relevant requirements;

(d) furthermore, as Chapter 18A of the Listing Rules provides for track record period of two years for biotech companies in terms of financial disclosure, strict compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for our Company as this would require additional work to be performed by us and our reporting accountants; and

(e) our Directors are of the view that the Accountants' Report covering the two years ended December 31, 2023, together with other disclosures in this Document, has already provided the potential [**REDACTED**] with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company, and our Directors confirm that all information which is necessary for the [**REDACTED**] public to make an informed assessment of our Company's business, assets and liabilities, financial position, trading position, management and prospects has been included in this Document. Therefore, the exemption would not prejudice the interests of the [**REDACTED**] public.

[REDACTED] OF OUR H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX F1 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions in Rule 10.03 of the Listing Rules are fulfilled:

(i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities: and

(ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no [**REDACTED**] will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Our A Shares have been listed on the Beijing Stock Exchange (stock code: 833575) since March 15, 2023. As such, our A Shares are widely held and actively traded.

We [have applied to] the Stock Exchange for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the requirements under Rule 10.04 of, and consent under Paragraph 5(2) of Appendix F1 to, the Listing Rules to permit H Shares in the [**REDACTED**] to be placed to certain existing minority Shareholders who (i) hold less than 5% in the issued share capital of our Company prior to the completion of the [**REDACTED**]; and (ii) are not and will not become (upon the completion of the [**REDACTED**]) core connected persons (as defined in the Listing Rules) of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**") on the following conditions:

(i) each Existing Minority Shareholder to whom our Company may [**REDACTED**] the H Shares in the [**REDACTED**] holds less than 5% of our Company's voting rights prior to the completion of the [**REDACTED**];

(ii) each Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the [**REDACTED**];

(iii) none of the Existing Minority Shareholders have the right to appoint any Directors and/or have any other special rights;

(iv) [**REDACTED**] to the Existing Minority Shareholders and/or their close associates will not affect our Company's ability to satisfy the public float requirement as prescribed under Rule 8.08 of the Listing Rules; and

(v) each of our Company, the Joint Sponsors and the [**REDACTED**] shall confirm to the Stock Exchange in writing that, to the best of its knowledge and belief, it has no reason to believe that the Existing Minority Shareholders or their close associates received any preferential treatment in any [**REDACTED**] in the [**REDACTED**] by virtue of their relationship with our Company.

We expect to satisfy all the conditions set out in paragraph 12 of Chapter 4.15 of the Guide for New Listing Applicants so that no actual or perceived preference will be given to the Existing Minority Shareholders due to their existing shareholdings in our Company.

[**REDACTED**] to the Existing Minority Shareholders will not be disclosed in our Company's allotment results announcement unless such Existing Minority Shareholders are interested in 5% or more of the issued share capital of our Company after the [**REDACTED**], as our A Shares are listed and trading on the Beijing Stock Exchange, and there are practical difficulties for our Company to ascertain all the Existing Minority Shareholders.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LIU Yongjiang (劉永江)	No. 7 Courtyard, Sihai Road Beijing Economic-Technological Development Area Beijing, PRC	Chinese
Mr. HAO Chunli (郝春利)	No. 4 Courtyard, Sihai Road Beijing Economic-Technological Development Area Beijing, PRC	Chinese
Mr. TAO Ran (陶然)	Mingdun Road, Guangqumenwai South Street Dongcheng District Beijing, PRC	Chinese
Non-executive Directors		
Mr. TAO Tao (陶濤) (former name: Mr. TAO Tao (陶弢))	Fund-raising Building 1 Agricultural Bank of China Heihe Branch Aihui District, Heihe Heilongjiang Province PRC	Chinese
Mr. LIU Qingli (劉慶利)	Carl Life House Beijing Economic-Technological Development Area Beijing, PRC	Chinese
Ms. LI Hui (李輝)	No. 38 Anjialou Courtyard Chaoyang District Beijing, PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Dr. LI Xiaojing (李曉靜)	No. 30 Xueyuan Road Haidian District Beijing, PRC	Chinese
Dr. QIAO Youlin (喬友林)	No. 17 Panjiayuan Nanli Chaoyang District Beijing, PRC	Chinese
Mr. HAN Qiang (韓強)	No. 9 Sai Wan Ho Street Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. WANG Zexue (王澤學)	No. 1 Courtyard, Yize Road Fengtai District Beijing, PRC	Chinese
Ms. CHEN Xin (陳欣)	Unit 9, Building 10 Tongrenyuan Fengtai District Beijing, PRC	Chinese
Ms. LI Jing (李靜)	No. 123 Shi Village Majuqiao Town Tongzhou District Beijing, PRC	Chinese

Please see the section headed "Directors, Supervisors and Senior Management" in this Document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

CITIC Securities (Hong Kong) Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

[**REDACTED**]

Legal advisors to our Company

As to Hong Kong and United States laws:

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC laws:

Zhong Lun Law Firm
22-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District
Beijing, PRC

Legal advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Sullivan & Cromwell (Hong Kong) LLP** 20/F, Alexandra House 18 Chater Road, Central Hong Kong *As to PRC laws:* **JunHe LLP** 20/F, China Resources Building Jianguomenwai Avenue Dongcheng District Beijing, PRC
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Huidefeng International Plaza 1717 Nanjing West Road Jing'an District Shanghai, PRC
Property Valuer	**Asia-Pacific Consulting and Appraisal Limited** Flat/Room A 12/F Kiu Fu Commercial Building 300 Lockhart Road Wan Chai Hong Kong
Compliance Adviser	**SPDB International Capital Limited** 33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

[REDACTED]

CORPORATE INFORMATION

Head Office, Registered Office and Principal Place of Business in the PRC	No. 201 & 202, Building A2 No. 7 Rongchang East Street Beijing Economic-Technological Development Area Beijing, PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.klws.com** *(information on this website does not form part of this Document)*
Joint Company Secretaries	**Ms. HUANG Haiyan (黃海燕)** Kaiyangli 3 Fengtai District Beijing, PRC **Mr. CHUNG Ming Fai (鍾明輝)** *Fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia* 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	**Mr. HAO Chunli (郝春利)** No. 201 & 202, Building A2 No. 7 Rongchang East Street Beijing Economic-Technological Development Area Beijing, PRC **Mr. CHUNG Ming Fai (鍾明輝)** 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Audit Committee	Dr. LI Xiaojing (李曉靜) *(chairlady)* Mr. HAN Qiang (韓強) Mr. TAO Tao (陶濤)
Remuneration and Appraisal Committee	Mr. HAN Qiang (韓強) *(chairman)* Dr. QIAO Youlin (喬友林) Dr. LI Xiaojing (李曉靜) Mr. TAO Ran (陶然) Mr. LIU Qingli (劉慶利)
Nomination Committee	Dr. QIAO Youlin (喬友林) *(chairman)* Dr. LI Xiaojing (李曉靜) Mr. TAO Ran (陶然)
Strategy Committee	Mr. LIU Yongjiang (劉永江) *(chairman)* Mr. TAO Ran (陶然) Mr. TAO Tao (陶濤) Mr. HAO Chunli (郝春利) Dr. QIAO Youlin (喬友林) Dr. LI Xiaojing (李曉靜) Mr. HAN Qiang (韓強)

[**REDACTED**]

Principal Banks	**Bank of China Limited Beijing Economic-Technological Development Area Branch** No. 3, Rongjing East Street Beijing Economic-Technological Development Area Beijing, PRC

Industrial Bank Co., Ltd Beijing Economic-Technological Development Area Sub-branch
Room 1-031A, 1/F, Block A, AVIC Plaza
No. 15 Ronghua South Road
Beijing Economic-Technological Development Area
Beijing, PRC

The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent market research report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, any of the* [**REDACTED**]*, any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to its accuracy.*(1)

OVERVIEW OF VACCINES

Vaccines are biological preparations that stimulate acquired immunity to specific diseases by inducing immune responses against the corresponding pathogens. Vaccines represent a major healthcare success story, having effectively reduced the global or regional prevalence of many infectious diseases. Vaccination, as a primary form of disease prevention strategy, can be more cost-effective from a public health perspective than curative treatments given after a disease is contracted.

Generally, vaccines can be categorized into traditional vaccines and innovative vaccines. Traditional vaccines, including inactivated vaccines and live attenuated vaccines, are whole pathogen vaccines consisting of cultured viruses, bacteria or other pathogens that have been attenuated or inactivated. Innovative vaccines, mainly including subunit vaccines, viral or bacterial vector-based vaccines and nucleic acid vaccines, are composed of protein antigens or genetic sequences encoding such protein antigens of a pathogen that are capable of inducing a protective immune response. mRNA vaccine, as a type of innovative vaccine that uses mRNA to instruct cells in the body to produce specific antigens, typically proteins found on the surface of a pathogen, has played a pivotal role in the fight against the COVID-19 pandemic and the reopening of global economies.

Note:

(1) In connection with the [**REDACTED**], we have commissioned Frost & Sullivan, an Independent Third Party, to conduct a detailed analysis and to prepare an industry report on the global and PRC vaccine markets. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent from our influence. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. We have agreed to pay Frost & Sullivan a fee of approximately RMB0.6 million for the preparation of the Frost & Sullivan Report which we consider is in line with the market rates. Except as otherwise noted, all data and forecasts in this section are derived from the Frost & Sullivan Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information disclosed in this section. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. To prepare the Frost & Sullivan Report, Frost & Sullivan also conducted analysis on projected figures based on historical data, macroeconomic data and specific industry related drivers, and reviewed annual reports of listed companies in the global and PRC pharmaceutical markets. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry; (ii) the PRC healthcare market will grow as expected due to rising healthcare demand and supply; and (iii) the PRC government will continue to support healthcare reform. Unless otherwise indicated, the discussion of the global and China's vaccine markets herein do not take into account the COVID-19 vaccines.

Overview of Recombinant Protein Vaccines

Recombinant protein vaccines are a type of subunit vaccines and one of the most effective, safe and affordable options against infectious diseases, with proven track record in relieving the global community from burdens like hepatitis B, cervical cancer and shingles. As recombinant protein vaccines only contain the antigenic portion of a pathogen, which are hence poorly immunogenic by themselves, adjuvants are often incorporated to enhance or modulate the immune responses elicited by the protein antigens. In addition, recombinant protein vaccines are produced through recombinant DNA technology, which involves inserting the DNA encoding an antigen that stimulates an immune response into bacterial, yeast or mammalian cells, expressing the antigen in these cells and then purifying it from them. The choice of a highly efficient expression system is also important to the development and commercial success of recombinant protein vaccines as manufacturing of recombinant protein vaccines has to be achieved in a cost-effective manner.

Expression Systems

Protein expression is the biological process where proteins are synthesized, modified, and regulated in living organisms. Expression systems can be divided into two main types, namely prokaryotic expression systems and eukaryotic expression systems. *E. coli* is one of the major prokaryotic expression systems, and yeast and mammalian cells represent the two most common eukaryotic expression systems. The selection of a suitable expression system takes into account various factors, such as expression levels, selection marker and the presence or absence of post-translational modifications. *E. coli* is one of the earliest and most widely used expression systems for the production of recombinant proteins. Generally, *E. coli* has an edge over other expression systems due to the high protein yield, fast growth rate, short production times and low manufacturing cost achieved by it. The following table sets forth the characteristics of different expression systems.

	Characteristics						Examples of expressed products
Expression systems	**Overall cost**	**Production time**	**Scale-up capacity**	**Propagation**	**Product yield**	**Contamination risk**	
***E. coli* System**	low	low	high	easy	high	medium (e.g., endotoxins)	Cecolin
Yeast System	medium	medium	high	easy	high	low	Gardasil/Gardasil9
Insect Cell System	medium	medium	high	feasible	high	low	Cervarix
Mammalian Cell System	high	high	low	hard	medium	very high (e.g., virus, DNA)	Shingrix

Source: Frost & Sullivan analysis

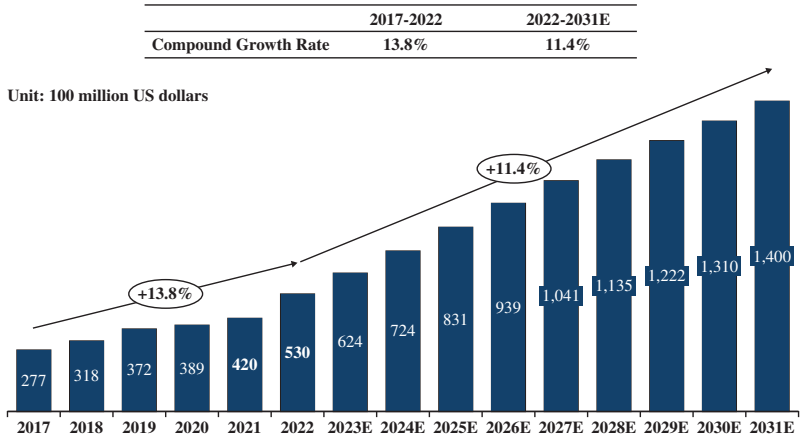
Overview of mRNA Vaccines

mRNA vaccines have gained prominence in recent years. They are developed by utilizing mRNA that provides instructions for cells to produce specific antigens. This technology has shown significant advantages, including a flexible and rapid development process. Unlike traditional vaccines, mRNA vaccines can be swiftly designed and manufactured once the genetic sequence of the target antigen of a certain pathogen is known. This allows for a prompt response to emerging diseases or evolving pathogens. Furthermore, mRNA vaccines are generally considered safe as they do not contain live pathogens and the genetic material included is quickly broken down in the body. Additionally, the simplicity and adaptability of mRNA vaccines in antigen design enable easy modification of target antigens, making them versatile in combating new variants or strains of pathogens. Overall, mRNA vaccines offer a promising and innovative approach to vaccination that will help address public health challenges effectively.

Global Vaccine Market

Vaccines are an increasingly important part of the global pharmaceutical market. The size of the global vaccine market grew at a CAGR of 13.8% from US$27.7 billion in 2017 to US$53.0 billion in 2022 in terms of sales revenue. Driven by the increasing penetration of existing vaccines and the continuous introduction of new vaccines, the global vaccine market is expected to grow at a CAGR of 11.4% from 2022 to 2031 and reach US$140.0 billion in 2031. The following chart illustrates the global market size of vaccines in terms of sales revenue for the years indicated.

Global Vaccine Market Size, 2017-2031E



Source: Statista, 2023 National Vaccines and Health Conference, Frost & Sullivan analysis

In the global vaccine market, recombinant protein vaccines have presented significant commercial potential. Among the top ten bestselling vaccine products in 2022, five of them included recombinant protein vaccines. The following table summarizes details of the top ten bestselling vaccine products globally by disease in 2022 and their sales revenue in the same year.

Ranking	Vaccine products	Indications	Manufacturer	2022 sales revenue (one hundred million U.S. dollars)	Vaccine type
1	Gardasil, Gardasil 9	HPV	Merck & Co.	69	Recombinant protein vaccine
2	Prevnar Family	Pneumonia	Pfizer	63.37	Conjugate vaccine
3	Shingrix	Shingles	GSK	36	Recombinant protein vaccine
4	Fluzone, Flublok	Flu	Sanofi	32.7	Inactivated (Fluzone), Recombinant protein (Flublok) vaccine
5	Polio/Pertussis/Hib Vaccines	Polio, whooping cough and haemophilus influenza infection, etc.	Sanofi	23.9	Inactivated (Polio), Subunit (Pertussis), Conjugate (Hib) vaccines
6	ProQuad/M-M-R II/Varivax	Measles, Mumps, Rubella and Chicken Pox	Merck & Co.	22.41	Live attenuated vaccine
7	Cecolin	HPV	Innovax	13.67	Recombinant protein vaccine
8	Bexsero	Meningitis B	GSK	9.32	Recombinant protein vaccine
9	Fluarix and FluLaval	Fluzone and Flublok	GSK	8.83	Inactivated vaccine
10	RotaTeq	Rotavirus infection, diarrhea and vomiting, leading to dehydration	Merck & Co.	7.83	Live attenuated vaccine

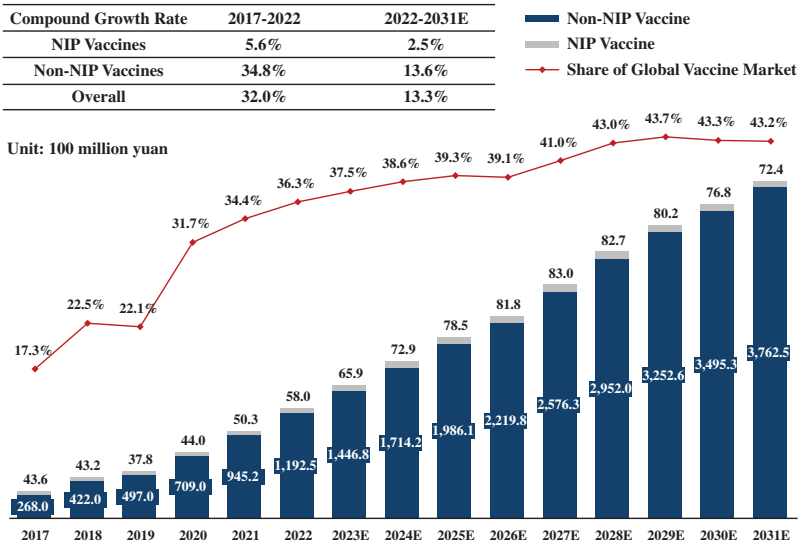
Source: WHO, Company annual reports, Statista, Frost & Sullivan analysis

China's Vaccine Market

Due to its large population and steady economic development, China is the second largest vaccine market in the world in 2022, accounting for 36.3% of the global vaccine market. Driven by the increasing access to innovative vaccines, favorable government policies, vaccine technology innovations and growing awareness of vaccination, China's vaccine market size has grown at a CAGR of 32.0% from 2017 to 2022 and reached RMB125.1 billion in 2022 in terms of sales revenue. Furthermore, China's vaccine market size is expected to grow at a CAGR of 13.3% from 2022 to 2031 and reach RMB383.5 billion in 2031. The following chart illustrates China's vaccine market size in terms of sales revenue for the years indicated.

China's Vaccine Market Size, 2017-2031E

Compound Growth Rate	2017-2022	2022-2031E
NIP Vaccines	5.6%	2.5%
Non-NIP Vaccines	34.8%	13.6%
Overall	32.0%	13.3%



* *The share of China's vaccine market in the global vaccine market is calculated based on the average exchange rate of the respective year (2017-2022)*

Source: WHO, NMPA, Company annual reports, Statista, Frost & Sullivan analysis

The top ten products in China in terms of production value are generally in line with the bestselling products for the global vaccine market. Among these vaccine products in China in 2022, three of them were recombinant protein vaccines. The following table summarizes details of the top ten vaccine products in China in terms of production value in 2022 and their respective production value in the same year.

Ranking	Vaccine products	Indications	Manufacturer	2022 production value* (one hundred million yuan)	Vaccine type
1	Gardasil 9, Gardasil	HPV	MSD	312.5	Recombinant Protein Vaccine
2	Cecolin	HPV	Innovax	86.45	Recombinant Protein Vaccine
3	Weuphoria	Pneumonia	Walrinvax	46.17	Conjugate Vaccine
4	Prevenar 13	Pneumonia	Pfizer	44.80	Conjugate Vaccine
5	Shingrix	Shingles	GlaxoSmithKline	26.40	Recombinant Protein Vaccine
6	Influenza A (H1N1)	Flu	Hualan Biological	18.18	Inactivated Vaccine
7	Human Rabies Vaccine	Rabies	Chengda Biotechnology	17.65	Inactivated Vaccine
8	Enterovirus 71 inactivated vaccine (Vero cells)	Hand, foot, and mouth disease	Wuhan Institute of Biological Products	12.01	Inactivated Vaccine
9	Inactivated Sabin strain polio vaccine (Vero cells)	Polio	Beijing Institute of Biological Products	11.09	Inactivated/Live-attenuated Vaccine
10	RotaTeq	Rotavirus infection, diarrhea and vomiting, leading to dehydration	MSD	10.25	Live-attenuated Vaccine

* *Calculated based on batch release volume and winning public bid information*

Source: National Institutes of Food and Drug Control, Company annual reports, Frost & Sullivan analysis

China's Vaccine Sales Model

In China, vaccines are categorized on the basis of whether they are included in the National Immunization Program (the "**NIP**") into NIP and non-NIP vaccines. NIP vaccines are procured by provincial CDCs under government procurement programs, provided free of charge by the government and administered to eligible citizens in accordance with regulations. As of the Latest Practicable Date, there were 14 NIP vaccines for the prevention of 15 diseases. Non-NIP vaccines are vaccines that citizens choose to get voluntarily at their own expense.

Different pricing strategies are adopted for NIP and non-NIP vaccines. NIP vaccines are usually priced at a competitively low level in order to be included in the national vaccine procurement regime in China. In contrast, non-NIP vaccines are normally priced by taking into account factors such as the elasticity of demand and the level of competition among manufacturers, with the primary goal of maximizing profit. As a result, non-NIP vaccines comprised over 90% of vaccine sales revenue in the PRC in 2022, the market share of which in terms of sales revenue is expected to continue to rise in the near future.

Market Drivers and Trends

The primary market drivers and trends for China's vaccine market include:

- ***Continuous technology development and innovation.*** In recent years, many companies have invested heavily in new technologies and novel vaccine development, in order to bring novel vaccine products to the market to address unmet market needs, with the prime examples being RSV, norovirus and multivalent HFMD vaccines. The rise of mRNA technologies particularly creates opportunities for the development of novel vaccines for both preventive and therapeutic purposes. With continuous technology development and innovation, it is expected that more innovative vaccines with significant clinical benefits will be launched in the future, thereby driving growth of China's vaccine market.

- ***Improved vaccine affordability and population's willingness to vaccinate.*** China's continued economic growth has resulted in higher disposable income for Chinese citizens, leading to increased healthcare spending, particularly on vaccination. Furthermore, there has been a notable improvement in health awareness among the Chinese people, with more individuals gaining access to health knowledge and more willing to vaccinate. These factors combined are likely to contribute to an overall increase in vaccination rates in China.

- ***Favorable policies and regulations.*** Given the enormous contribution of vaccination to public health success, the PRC government has implemented multiple policies to ramp up the nation's capabilities to research and develop novel vaccines. For example, the National Health Commission formulated the Healthy China Initiative – Implementation Plan for Cancer Prevention and Treatment (2019-2022) (健康中國行動 – 癌症防治實施方案(2019-2022年)) in September 2019, which stressed the need to accelerate the review and approval of domestically-developed HPV vaccines and improve access to them. In January 2023, the National Health Commission, together with nine other government departments in China, also formulated the Action Plan to Accelerate the Elimination of Cervical Cancer (2023-2030) (加速消除宮頸癌行動計劃(2023-2030年), which emphasizes that HPV vaccination should be promoted in the recommended age cohort, and the review and approval of domestically-developed HPV vaccines, if eligible, shall be accelerated.

Entry Barriers to Developing Innovative Vaccines

There are significant entry barriers and challenges to developing innovative vaccines, including the following:

- ***Research and development capability.*** Vaccine research and development requires in-depth understanding of the biological characteristics of pathogens and immunological principles, and critical assessment of vaccine safety and efficacy. To move a vaccine candidate from discovery through regulatory approval, advanced laboratory and manufacturing facilities, as well as talent from various backgrounds with diverse technical capabilities, are needed. These technological and infrastructure requirements are foundational to vaccine research and development capabilities.

- ***Long R&D cycle and intense capital requirement.*** Vaccine research and development is characterized by long cycles and significant capital requirements. The vaccine R&D process typically involves initial basic research, preclinical studies, clinical trials, and regulatory reviews and approvals. Preclinical studies of vaccines comprise a lot of discovery work and trial-and-error. Clinical trials require the enrollment of a large number of participants and long-term follow-up visits. Regulatory reviews may be lengthy as competent authorities will have to conduct technical assessments on a huge application dossier, and inspections on R&D facilities and manufacturing facilities of the vaccine under review. Therefore, vaccine R&D often takes a total of up to a decade and consumes a great deal of financial resources.

- ***Government regulation and intellectual property protection.*** The vaccine industry is subject to stringent government regulations, and obtaining all prerequisite regulatory approvals before marketing or distributing a new vaccine is extremely challenging, particularly for new entrants. In addition, intellectual property, particularly patent, serves as a legal and strategic safeguard for pharmaceutical companies and help them stop competitors from entering the market without a completely new drug. Failure to comply with applicable regulations or infringement on third-party intellectual property can have severe consequences for vaccine companies, with the potential to deal a significant blow to their operations and reputation.

HPV VACCINES

Overview

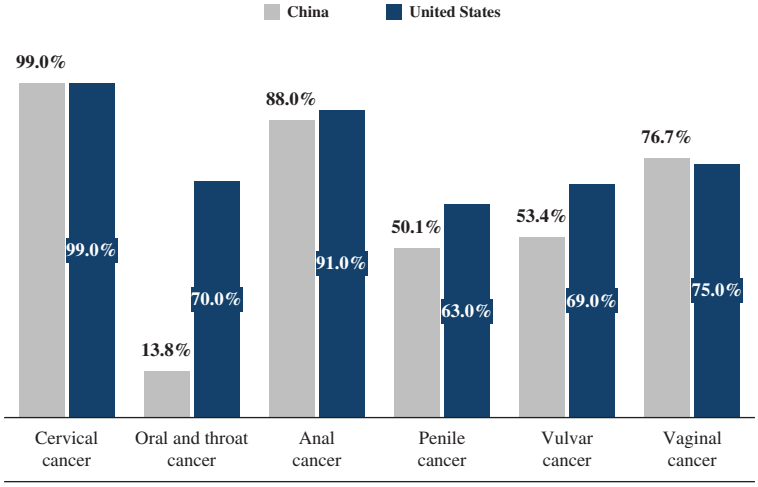
Human papillomavirus (HPV) is a DNA virus that infect skin and mucosal cells of humans. Over 200 HPV types have been discovered. In most cases, HPV infections are asymptomatic and can be cleared by the immune system in one to two years. However, infection by a number of high-risk HPV types can lead to serious health problems, including genital warts and certain types of cancers, such as cervical cancer, oropharyngeal cancer, head and neck cancer, vaginal cancer, vulvar cancer, penile cancer and anal cancer. The following table presents the classification of HPV types by risk level and the location of the lesion.

Classification	Subclass	Main type	Disease causation
According to risk	Category 1 (cancer-causing)	Including HPV16, 18, 31, 33, 35, 39, 45, 51, 52, 56, 58, and 59, a total of 12 types	Related to tissue cancers like cervical cancer, oropharyngeal cancer, head-and-neck cancer, vaginal cancer, vulvar cancer, penile cancer, and anal cancer.
	Category 2 (may cause cancer)	Category 2A (probably carcinogenic): including HPV68 Category 2B (possibly carcinogenic): including HPV26, 30, 34, 53, 66, 67, 69, 70, 73, 82, 85 and 97, a total of 12 types	
	Category 3 (cannot be classified as carcinogenic)	Including HPV6, 11, 42, 43, 81	Mainly causes benign lesions of tissue, such as anal and external genital warts, flat warts, planter warts and other skin lesions.
According to the location of the lesion	Skin type	Skin low-risk types: HPV1, 2, 3, 4, 7, 10, 12, 15, etc. Skin high-risk types: HPV5, 8, 14, 17, 20, 36, 38, etc.	The low-risk type causes verrucous hyperplasia, while the high-risk type causes Bowen's disease, basal cell carcinoma, Paget's disease, squamous cell carcinoma, and other skin epithelial tumors.
	Mucosal type	Mucosal low-risk types: HPV6, 11, 13, 32, 34, 40, 42, 43, 44, 54, 61, 70, 72, 81, etc. Mucosal high-risk types: HPV16, 18, 30, 31, 33, 35	The low-risk type causes warts on the genitals, anus, oropharynx, and esophagus, while the high-risk type causes cervical, vulvar, vaginal, penile, anorectal, oral, tonsil, and other cancers.

Source: Frost & Sullivan analysis

The following graph illustrates the reported portion of cervical cancer, oral and throat cancer, anal cancer, penile cancer, vulvar cancer and vaginal cancer that can be attributed to HPV infections in China and the United States, respectively.

Attributable Proportion of HPV-Related Cancers in China and the United States, 2020

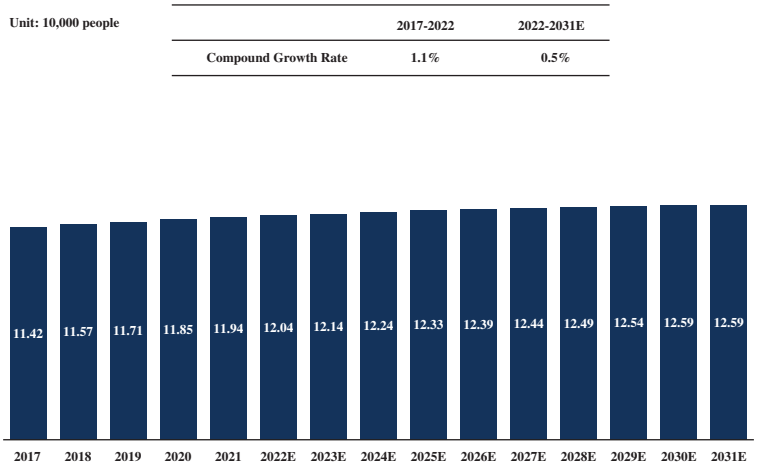


Source: CDC, Frost & Sullivan analysis

Cervical Cancer

Among cancers that may be caused by infection with high-risk HPV types, cervical cancer presents a significant disease burden, with 604,127 new cases and 341,831 deaths estimated to have been reported globally in 2020. Incidence and mortality rates of cervical cancer vary worldwide, with higher rates seen in low- and middle-income countries where there is limited access to screening and vaccination programs. In China, cervical cancer is the second most common female malignancy and a leading cause of cancer-related death among women, with approximately 119,400 in 2021. The following graph illustrates the cervical cancer incidence in China for the years indicated.

Cervical Cancer Incidence in China, 2017-2031E



Source: China Cancer Center, Frost & Sullivan analysis

HPV types 16 and 18 are widely considered the two most prevalent cancer-causing HPV types, which cause approximately 70% of cervical cancer cases globally. In addition, the distribution of high-risk HPV types can vary across the world. For example, in China and the East Asian region, HPV 58 is the third most prevalent HPV type detected in cervical cancer cases and high-grade lesions, just behind HPV 16 and HPV 18. The prevalence of HPV 58 in cervical cancer underscores the importance of addressing this HPV type in screening and vaccination to effectively prevent and manage HPV-related diseases in China and East Asia.

In addition, HPV infection can also infect males and cause serious diseases, including penile, anal, head and neck cancers, among others. In 2020, there were approximately 36,100 penile cancer cases, approximately 50,900 anal cancer cases and approximately 931,900 head and neck cancer cases reported globally. In the same year, there were approximately 4,628 penile cancer cases, approximately 13,832 anal cancer cases and approximately 142,000 head and neck cancer cases reported in China.

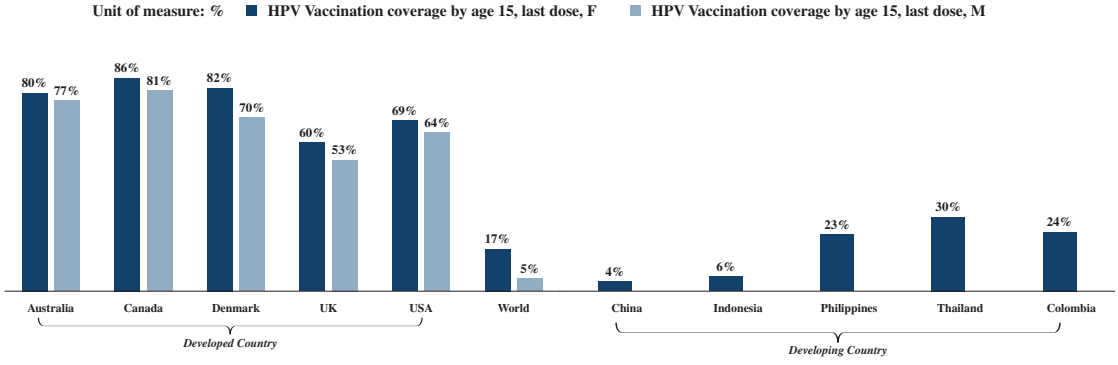
HPV Vaccine Market

Global HPV Vaccine Market

HPV vaccination is recognized as the most efficient and cost-effective method to prevent HPV infection and diseases caused by HPV infection. In 2020, the WHO issued the *Global Strategy to Accelerate the Elimination of Cervical Cancer as a Public Health Problem*, under which HPV vaccination was recommended as the primary prevention strategy for cervical cancer. By 2030, the WHO aims to have 90% of girls complete HPV vaccination before the age of 15. As of 2022, over 120 countries had included HPV vaccine into their national immunization programs for girls.

In 2022, there were two billion females and two billion males deemed to be the target populations for HPV vaccination globally, i.e. the females and/or males aged between 9 and 45 years. However, supply of approved HPV vaccines is very limited and unable to meet global demand. According to Frost & Sullivan, the supply of the six approved HPV vaccines in the world was approximately 80 million doses in 2022 and covered only 40 million people assuming that each person received a two-dose regimen for full vaccination. However, HPV vaccine supply is uneven across the world, with a high vaccination rate in developed countries such as Canada and the United States, and a relatively low vaccination rate in developing countries, such as China and the ASEAN countries. The following graph illustrates the percentages of men and women (aged below 15) receiving a full HPV vaccination regimen in developed and developing countries in 2022.

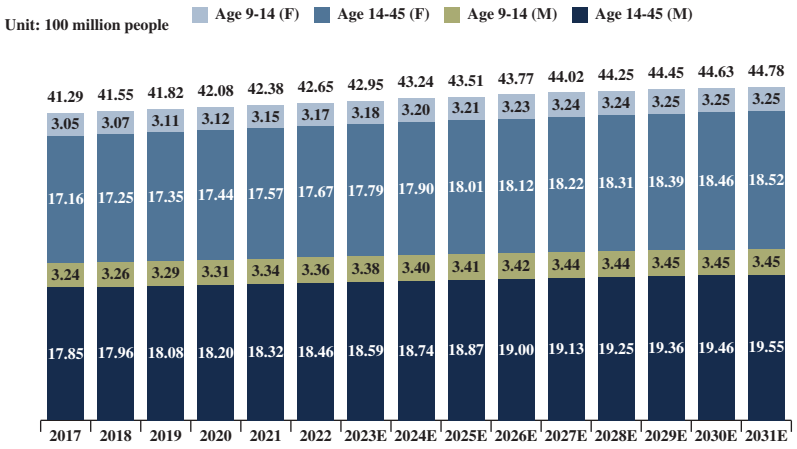
Global Comparison of HPV Vaccination Rates by Age 15 – Last Dose



Source: WHO, UNICEF, Frost & Sullivan analysis

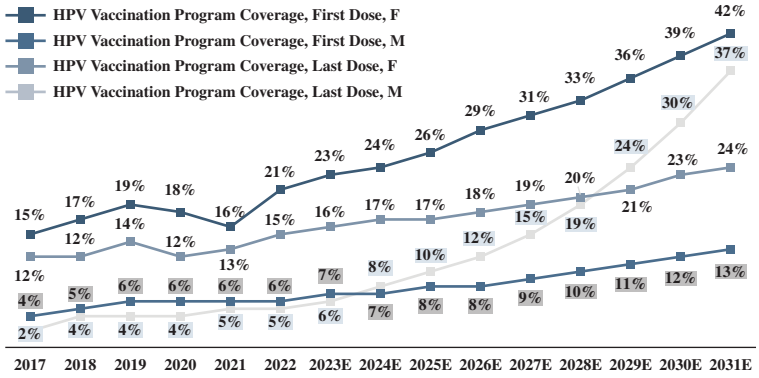
The following graphs illustrate the size of the population suitable for HPV vaccination globally and the vaccination rate by gender for the years indicated.

Global Number of Females and Males Suitable for HPV Vaccination (9-45 years old), 2017-2031E



Source: Frost & Sullivan analysis

Global HPV Vaccination Coverage Rate by Gender, 2017-2031E

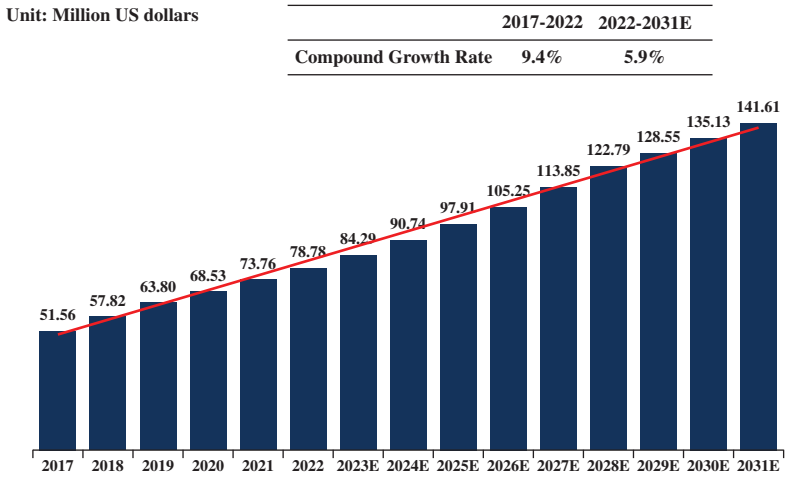


Source: WHO, Frost & Sullivan analysis

There are efforts across the globe, especially in developing countries, to make HPV vaccines available and increase HPV vaccination rates. These efforts are particularly critical in countries with large populations, such as Indonesia. Indonesia and many other countries have allowed vaccine developers to use data from qualified clinical trials regulated by acceptable regulatory authorities, such as the NMPA, the FDA and the EMA in local vaccine registrations. Many regulatory authorities also accept surrogate clinical endpoints, such as virological and immunologic endpoints, for registration-enabling trials to accelerate HPV vaccine approval process. As the majority of the world's HPV vaccine developers are PRC companies, they may become a major source of supply for HPV vaccines in developing countries in the future.

With an anticipated increase in HPV vaccine supply and increased awareness of immunization, the ASEAN HPV vaccine market is expected to grow from US$78.8 million in 2022 in terms of sales revenue to US$141.6 million in 2031 at a CAGR of 5.9%. The following chart illustrates the ASEAN HPV vaccine market size in terms of sales revenue for the years indicated.

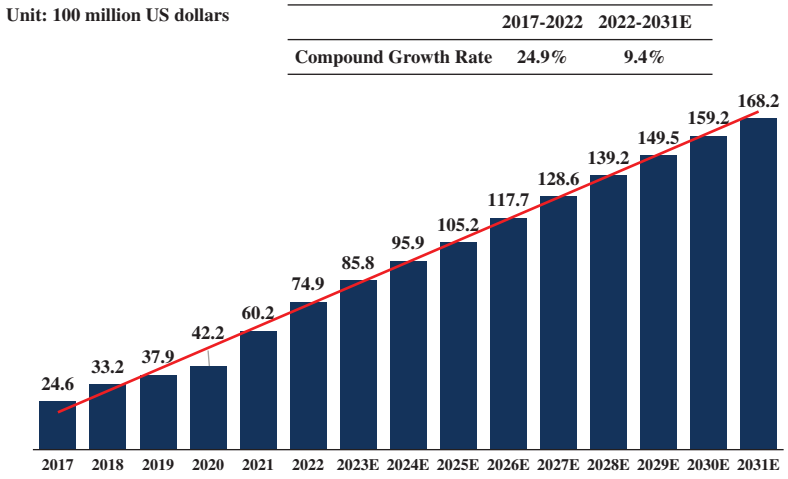
ASEAN HPV Vaccine Market Size, 2017-2031E



Source: WHO, UNICEF, Journals, ASEAN, Government website, Company annual reports, CDC, HPV Center, Frost & Sullivan analysis

Growth of the HPV vaccine markets in developing countries is expected to be a major growth driver for the global HPV vaccine market, which is expected to reach US$16.8 billion in 2031 at a CAGR of 9.4% from 2022 to 2031. The following chart illustrates the global HPV vaccine market size in terms of sales revenue for the years indicated.

Global HPV Vaccine Market Size, 2017-2031E



Source: Chinese Cancer Center, WHO, Frost & Sullivan analysis

China's HPV Vaccine Market

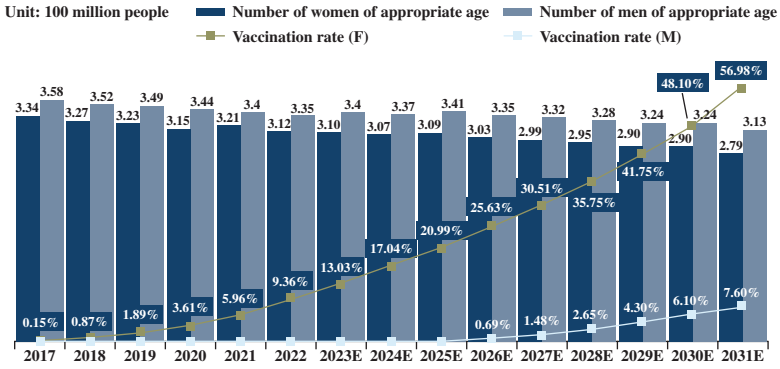
As with many developing countries, China has a significant population that is suitable for and needs HPV vaccination, but is faced with significant vaccine undersupply. In 2022, there were 312 million females and 335 million males suitable for HPV vaccination in China. However, there were only five approved HPV vaccines for use in females in China with an annual lot release of 61.4 million doses, but none is approved for use in males. As such, only approximately 29.2 million females aged between 9 to 45 had been vaccinated against HPV in China as of 2022, with a low cumulative vaccination rate in females aged between 9 to 45 of 9.36%.

In recent years, the PRC government has made significant efforts to increase awareness, encourage HPV vaccination and make more HPV vaccines available in China. In January 2023, the National Health Commission, together with nine other government authorities in China, introduced the *Plan to Accelerate the Elimination of Cervical Cancer (2023-2030) (加速消除宮頸癌行動計畫(2023–2030年))*, which emphasizes that HPV vaccination should be promoted in the recommended age cohort. Multiple local governments, such as Guangdong and Jiangsu provinces, have launched campaigns to provide free HPV vaccines to girls below the age of 14 years.

In addition, in order to promote HPV vaccine development domestically and accelerate the approval process for higher-valency HPV vaccines that are much needed in China, in July 2023, the CDE published a *Technical Guideline for Clinical Trials of Human Papillomavirus Vaccine (Trial version) (人乳頭瘤病毒疫苗臨床試驗技術指導原則(試行))*. Pursuant to this guideline, if a vaccine company's first-generation HPV vaccine achieves clinical success in phase III trial with a disease endpoint as the primary endpoint, such as CIN2+, the company's next-generation HPV vaccine candidate can be entitled to accelerated approval by using efficacy data against virological endpoints, such as 12-month persistent infection (PI12). This would potentially shorten the time to market for the next-generation HPV vaccine candidate as it normally takes years longer to accumulate the prescribed number of disease endpoint cases compared to virological endpoint cases.

As in the next few years more domestically-developed HPV vaccines will be approved for use in females and the first HPV vaccines for use in males will obtain approval in China, it is expected that the cumulative vaccination rate for females and males aged 9 to 45 years will reach 57.0% and 7.6% in 2031, respectively. The following graph illustrates the size of the male and female population suitable for HPV vaccination in China and the cumulative vaccination rate by gender for the years indicated.

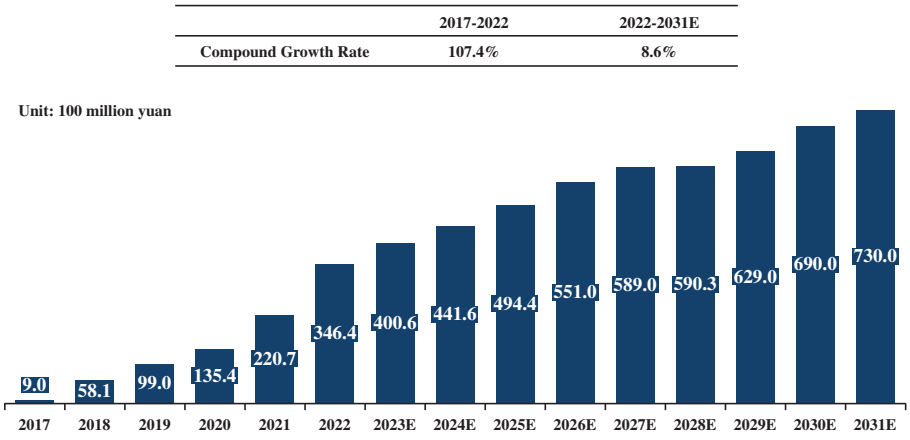
Women & Men Suitable for HPV Vaccination in China (9-45 years old), 2017-2031E



Source: Chinese Cancer Center, WHO, Frost & Sullivan analysis

With expected increases in HPV vaccine supply and vaccination rates, China's HPV vaccine market size is expected to reach RMB73.0 billion in 2031, representing a CAGR of 8.6% from 2022 to 2031. The following chart sets forth the size of China's HPV vaccine market in terms of sales revenue for the years indicated.

China's HPV Vaccine Market Size, 2017-2031E



* *Calculated based on batch release volume and winning public bid information*

Source: Frost & Sullivan analysis

Competitive Landscape

As of the Latest Practicable Date, there were six licensed HPV vaccines globally, five of which were also approved in China. Gardasil9 is the only approved nonavalent HPV vaccine worldwide, and together with Gardasil had an estimated market share of approximately 81% globally in 2022, according to Frost & Sullivan. The following table summarizes the approved HPV vaccines in China as of the Latest Practicable Date.

Name	Manufacturer	Expression system	Approved by	2022 sales volume in China, in thousand doses	Price in China/dose, RMB	2022 market share in China	2022 global market share
Bivalent HPV vaccines (Types 16 and 18)							
Cecolin	Xiamen Innovax Biotech	*E. coli*	NMPA, etc.	25,691.0	329	20.1%	14.3%
Cervarix	GlaxoSmithKline Biologicals S.A.	Insect cells – Baculovirus	NMPA, FDA, EMA, etc.	1,269.0	580	1.7%	1.9%
Walrinvax	Shanghai Zerun Biotechnology Co., Ltd.	Pichia pastoris	NMPA	4,980.9	329	4.2%	2.9%

Name	Manufacturer	Expression system	Approved by	2022 sales volume in China, in thousand doses	Price in China/dose, RMB	2022 market share in China	2022 global market share
Quadrivalent HPV vaccine (Types 6, 11, 16, 18)							
Gardasil	Merck Sharp & Dohme LLC	Saccharomyces cerevisiae	NMPA, FDA, EMA, etc.	14,028.4	798	26.5%	81% (together with Gardasil9)
Nonavalent HPV vaccine (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58)							
Gardasil9	Merck Sharp & Dohme LLC	Saccharomyces cerevisiae	NMPA, FDA, EMA, etc.	15,477.2	1,298	47.6%	81% (together with Gardasil)

Source: Frost & Sullivan Report

As of the Latest Practicable Date, there are 17 HPV vaccine candidates under clinical development in China, of which 11 have reached phase III clinical trials. The majority of the HPV vaccine candidates under clinical development are of a valency not greater than that of Gardasil9. In addition, a few companies are also developing HPV vaccine candidates of a higher valency than Gardasil9. For example, the Company is developing a 15-valent HPV vaccine candidate, which is of highest valency among all HPV vaccines worldwide that are approved by or have obtained IND approval. The following table summarizes the HPV vaccine candidates in phase III clinical trials in China as of the Latest Practicable Date.

Vaccine candidate name	Developer	Trial type	Eligible population	Time of first subject enrollment
Trivalent HPV vaccine (Types 16, 18 and 58)				
Recombinant Trivalent HPV (Types 16, 18 and 58) Vaccine (*E. coli*)	The Company	Phase III Efficacy Trial	Females aged 18-45	10-2020
		Phase III Immunogenicity Trial	Females aged 9-26	10-2021

Vaccine candidate name	Developer	Trial type	Eligible population	Time of first subject enrollment
Quadrivalent HPV vaccines (Types 6, 11, 16 and 18)				
Recombinant Quadrivalent HPV (Types 6, 11, 16, 18) Vaccine (Hansenula polymorpha)	Chengdu Institute of Biological Products, Co., Ltd	Phase III Efficacy Trial	Females aged 18-45	05-2018
Recombinant Quadrivalent HPV (Types 6, 11, 16, 18) Vaccine (Hansenula polymorpha)	Shanghai Bovax Biotechnology Co., Ltd	Phase III Immunogenicity Trial	Females aged 9-26	09-2021
		Phase III Immunogenicity Trial	Females aged 9-45	05-2022
Nonavalent HPV vaccines (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58)				
Recombinant Nonavalent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58) Vaccine (*E. coli*)	The Company	Phase III Efficacy Trial	Females aged 20-45	12-2020
		Phase III Immunogenicity Trial	Females aged 9-26	03-2022
		Phase III Efficacy Trial	Males aged 18-45	12-2022
Recombinant Nonavalent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58) Vaccine (Hansenula polymorpha)	Shanghai Bovax Biotechnology Co., Ltd	Phase III Efficacy Trial	Females aged 20-45	04-2020
		Phase III Immunogenicity Trial	Females aged 9-45	05-2021
Recombinant Nonavalent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58) Vaccine (Hansenula polymorpha)	Jiangsu Recbio Technology Co., Ltd.	Phase III Efficacy and Immunogenicity Trial	Females aged 9-45	06-2021

Vaccine candidate name	Developer	Trial type	Eligible population	Time of first subject enrollment
Recombinant Nonavalent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58) Vaccine (*E. coli*)	Xiamen Innovax Biotech Co., Ltd.	Phase III Efficacy Trial	Females aged 18-45	09-2020
		Phase III Immunogenicity Trial	Females aged 18-26	03-2021
		Phase III Immunogenicity Trial	Females aged 9-26 Males aged 9-17	09-2021
		Phase III Immunogenicity Trial	Females aged 20-28	01-2024
Recombinant Nonavalent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58) Vaccine (Pichia pastoris)	Shanghai Zerun Biotechnology Co., Ltd.	Phase III Immunogenicity Trial	Females aged 16-26	09-2022
Recombinant Nonavalent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52 and 58) Vaccine (Saccharomyces cerevisiae)	Merck Sharp & Dohme LLC	Phase III Efficacy Trial	Males aged 20-45	02-2022
		Phase III Immunogenicity Trial	Males aged 9-19	05-2022
Higher-valency HPV vaccines				
Recombinant 11-valent HPV (Types 6, 11, 16, 18, 31, 33, 45, 52, 58, 59 and 68) Vaccine (Hansenula polymorpha)	National Vaccine & Serum Institute of China	Phase III Efficacy Trial	Females aged 18-45	06-2022
Recombinant 14-valent HPV (Types 6, 11, 16, 18, 31, 33, 35, 39, 45, 51, 52, 56, 58 and 59) Vaccine (Insect cells)	Sinocelltech Group Ltd	Phase III Efficacy Trial	Females aged 18-45	08-2023

Source: Frost & Sullivan Report

In addition, there is only one mRNA monovalent therapeutic HPV vaccine that have obtained an IND and one DNA therapeutic HPV vaccine under phase III clinical trial in China.

Future Trends and Market Drivers

We believe the following are the major market drivers and trends for China's HPV vaccine market.

- ***Support by global strategies and favorable domestic policies.*** In November 2020, the WHO launched *the Global Strategy to Accelerate the Elimination of Cervical Cancer as a Public Health Problem*, aiming to achieve the goal of 90% girls completing HPV vaccination before the age of 15 by 2030. The Department of Maternal and Child Health of the National Health Commission in China also declared its full support for the strategy. In response to the WHO's HPV prevention strategy, the Chinese government encouraged qualified provinces to include HPV vaccine in public vaccination programs. For example, in October 2021, the Guangdong provincial government announced plans to allocate about RMB600 million for free HPV vaccination of eligible girls from 2022 to 2024. Furthermore, the Chinese government also implemented policies that can potentially accelerate the approval of next-generation HPV vaccines of a higher valency.

- ***Increased awareness of HPV and associated diseases.*** According to the International Papillomavirus Society and Cancer Foundation of China, the awareness rate of HPV in China was reported to be only 30% by the end of 2020, contributing to a low HPV vaccination rate. There is an increased awareness of and acceptance for vaccination in China, especially after the COVID-19 pandemic. This is expected to make more individuals in China willing to vaccinate against HPV early, thereby driving the growth of the country's HPV market. In addition, the growing awareness among males of the risks of HPV infection and its potential consequences is a key driver in shaping the future of China's HPV vaccine market and will lead to higher demand for HPV vaccines among men. The cumulative vaccination rate for males in China is expected to experience a significant increase, climbing from zero to 7.6% by 2031. HPV vaccination of males in other developing countries are anticipated to follow a similar trend.

- ***Import substitution.*** Currently, the HPV vaccine market in China is primarily dominated by imported products. Two HPV vaccines developed by PRC companies have obtained BLA approvals, and there are multiple domestically-developed HPV vaccine candidates in clinical development, with a few having reached phase III clinical trials. Many of these vaccines candidates have demonstrated comparable efficacy or immunogenicity and safety profiles to imported products, and are expected to be generally more affordable, which renders them capable of capturing a significant market share going forward. Furthermore, China joined ICH as a full regulatory member in 2017 and has since implemented reforms to align China's regulations with global standards, which facilitates the adoption by domestic vaccine companies of global standards in product manufacturing and quality control, thus making people more willing to get domestic vaccines in the future.

- ***Addressing global supply shortage.*** There is a significant imbalance between the global demand for and the available supply of HPV vaccines. In 2022, while there were over four billion people suitable for HPV vaccination globally, the total HPV supply in the same year was approximately 80 million doses and thus only served approximately 40 million people assuming each person receives a two-dose regimen, according to Frost & Sullivan. As China-developed HPV vaccines not only meet global quality standards, but also are generally priced more competitively, they are expected to help Chinese HPV vaccine developers capture large market shares in international markets, especially in developing countries with low HPV vaccination rates due to supply shortage.

- ***Booster with higher-valent HPV vaccines.*** Supply of higher-valent HPV vaccines is expected to increase in the foreseeable future, which may attract individuals who have previously received low-valent HPV vaccines to get a booster dose of a higher-valent HPV vaccine, hence driving market growth. This allows those vaccinees to acquire protection against a broader range of high-risk HPV types and associated cancers. Among Chinese females vaccinated against HPV as of 2022, around 46.6% received a bivalent or quadrivalent HPV vaccine, indicating potential for a booster dose of a higher-valent HPV vaccine.

RSV VACCINE MARKET ANALYSIS

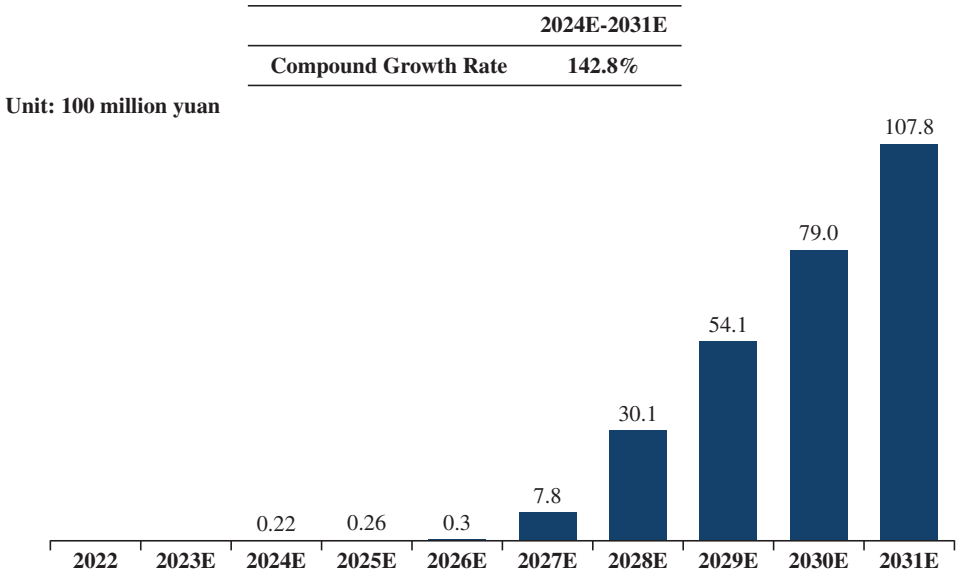
Overview

Respiratory syncytial virus (RSV) is highly contagious and can cause severe respiratory symptoms such as bronchiolitis, pneumonia, bronchitis and asthma. Children under 5 years of age and seniors over 65 years of age are among the most vulnerable to severe RSV. RSV infection is one of the leading causes of death in children aged 1 month to 1 year, second only to malaria. For the elderly, RSV infection often leads to worsening obstructive pulmonary disease with cardiopulmonary complications. There is no specific anti-viral drugs for RSV infection. Therefore, vaccination is considered the most effective option for prevention.

Market Size

The first RSV vaccines were approved in U.S. in May 2023 and recorded a sales revenue of US$1,257.5 million for the third quarter of 2023. As of the Latest Practicable Date, there was no RSV vaccine approved in China. The size of China's potential target population for RSV vaccines, which includes females of childbearing age (15 to 49 years old) and the elderly aged over 65 years, is expected to grow from 24.3 million in 2024 to 30.7 million in 2031 at a CAGR of 3.4% from 2024. Driven by the high prevalence of RSV due to various factors, such as aging population and rapid urbanization, as well as technological advancements in vaccine development, China's RSV vaccine market size is expected to reach RMB10.8 billion in 2031. The following chart illustrates China's RSV vaccine market size in terms of sales revenue for the years indicated.

China's RSV Vaccine Market Size, 2022-2031E



Source: GSK, Yahoo Finance, Frost & Sullivan analysis

Competitive Landscape

As of the Latest Practicable Date, there are two approved RSV vaccines globally, namely GSK's Arexvy and Pfizer's Abrysvo, with a combined sales revenue of US$1,257.5 million in the third quarter of 2023. Neither of these two products have been approved in China. In addition, as of the Latest Practicable Date, there is only one RSV vaccine candidate under clinical development in China, details of which is summarized in the table below.

Type	Vaccine candidate name	Developer	Clinical phase
Recombinant protein vaccine	Arexvy	GlaxoSmithKline plc.	IND approved

Source: Frost & Sullivan Report

HERPES ZOSTER VACCINE MARKET ANALYSIS

Overview

Herpes zoster (the "**HZ**") is an infectious disease caused by the reactivation of varicella zoster virus ("**VZV**") in the body, which occurs when immunity to VZV declines because of aging or immunosuppression. Herpes zoster can occur in people of any age but most commonly affects the elderly. Approximately one-third of individuals infected with VZV may experience a recurrence later in life. The primary approaches to preventing and treating HZ include proactive vaccination, antiviral medication, and management of complications-related neuralgia.

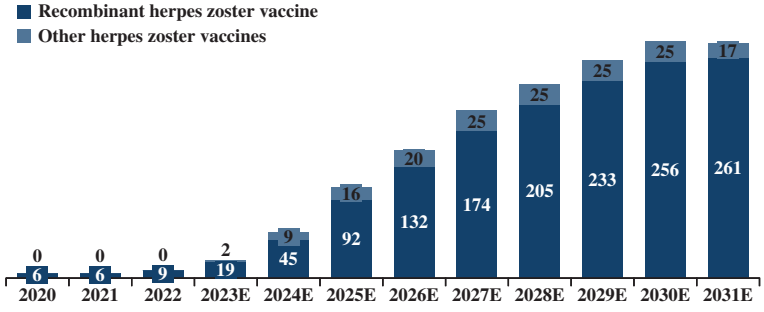
Market Size

The first HZ vaccine was approved in China in 2020, the market size of which has since grown to RMB900 million in 2022. Furthermore, China's HZ vaccine market size is expected to reach RMB27.8 billion in 2031 at a CAGR of 46.4% from 2022 to 2031, driven by the expected approvals of domestically-developed HZ vaccines. The following chart illustrates China's HZ vaccine market size in terms of sales revenue for the years indicated.

China's HZ Vaccine Market Size, 2020-2031E

	2020-2022	2022-2031E
Compound Growth Rate	22.4%	46.4%

Unit: 100 million yuan



Source: Office for National Statistics, Frost & Sullivan analysis

Competitive Landscape

As of the Latest Practicable Date, there are four approved HZ vaccines globally, two of which are licensed in China. Shingrix® is the only recombinant protein HZ vaccine approved globally. The following table summarizes the approved HZ vaccines as of the Latest Practicable Date.

Type	Tradename	Manufacturer	Approval in China
Recombinant protein vaccine	Shingrix®	GlaxoSmithKline Biologicals S.A.	Yes
Live attenuated vaccine	Ganwei®	Changchun BCHT Biotechnology Co.	Yes
Live attenuated vaccine	Zostavax®	Merck & Co., Inc.	No
Live attenuated vaccine	SKYZoster™	SK bioscience	No

Source: Frost & Sullivan Report

As of the Latest Practicable Date, there are seven HZ vaccine candidates under clinical development in China. The following table summarizes the HZ vaccine candidates in clinical trials in China as of the Latest Practicable Date.

Type	Vaccine candidate name	Developer	Clinical phase
Live attenuated vaccine	Live attenuated HZ vaccine	Shanghai Institute of Biological Products Co., Ltd.	Phase I/II
Live attenuated vaccine	Live attenuated HZ vaccine	Changchun Keygen Biological Products Co. Ltd.	IND approved
Recombinant protein vaccine	Recombinant HZ vaccine (CHO cell)	Beijing Lvzhu Biotechnology Co., Ltd.	Phase III
Recombinant protein vaccine	Recombinant HZ vaccine (CHO cell)	Ab&B Bio-Tech CO., LTD. JS & Yidao Biotechnology (Suzhou) Co., Ltd.	Phase III
Recombinant protein vaccine	Recombinant HZ vaccine (CHO cell)	MAXVAX Bio-tech Co., Ltd.	Phase II

Type	Vaccine candidate name	Developer	Clinical phase
Recombinant protein vaccine	Recombinant HZ vaccine (CHO cell)	Beijing Varnotech Biopharm Ltd.	Phase I
Recombinant protein vaccine	Recombinant HZ vaccine (CHO cell)	Jiangsu Recbio Technology Co., Ltd.	Phase I

Source: Frost & Sullivan Report

NOROVIRUS VACCINE MARKET ANALYSIS

Overview

Norovirus, a genus in the family *Caliciviridae*, is a highly contagious virus that spreads mainly through the fecal-oral route. Norovirus has no apparent pathogenicity in healthy population but can cause severe and prolonged illnesses in immunodeficient patients, the elderly and children. The main manifestations of norovirus infection include acute onset of diarrhea and vomiting. Infectious diarrhea caused by norovirus is prevalent throughout the world, and around 60% to 90% of annual non-bacterial diarrhea in the United States is caused by norovirus. There are approximately 685 million cases of norovirus infection reported each year, resulting in a large annual healthcare burden of approximately US$4.2 billion worldwide. Although over 90% of the norovirus infection cases are associated with norovirus types GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17, the pathogen spectrum of norovirus has, and is expected to continue to evolve. There are no specific antiviral drugs and vaccines for the treatment or prevention of norovirus infection and associated diseases.

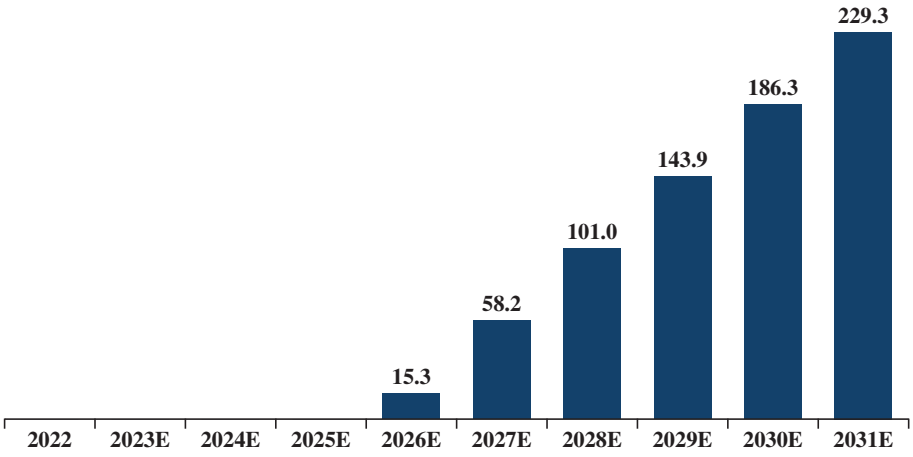
Market Size

As of the Latest Practicable Date, there are no approved norovirus vaccines in China and worldwide. In China, norovirus vaccines potentially target children and the elderly. It is expected that the first norovirus vaccines will be approved in China in 2026, and China's norovirus vaccine market size will grow to RMB22.9 billion in 2031. The following chart illustrates China's norovirus vaccine market size in terms of sales revenue for the years indicated.

China's Norovirus Vaccine Market Size, 2022-2031E

Unit: 100 million yuan

	2026E-2031E
Compound Growth Rate	71.9%



Source: Frost & Sullivan analysis

Competitive Landscape

As of the Latest Practicable Date, there are three norovirus vaccine candidates under clinical development in China. The following table summarizes the norovirus vaccine candidates in clinical trials in China as of the Latest Practicable Date.

Type	Vaccine candidate name	Developer	Clinical phase
Recombinant protein vaccine	Recombinant bivalent norovirus vaccine (Hansenula polymorpha)	Lanzhou Institute of Biological Products, Co., Ltd	Phase III
Recombinant protein vaccine	Recombinant quadrivalent norovirus vaccine (Pichia pastoris)	Anhui Zhifei Longcom Biopharmaceutical Co., Ltd	Phase I/IIa
Recombinant protein vaccine	Recombinant quadrivalent norovirus vaccine (Hansenula polymorpha)	CGE Healthcare	IND approved

Source: Frost & Sullivan Report

HFMD VACCINE MARKET ANALYSIS

Overview

Hand, foot, and mouth disease (HFMD), caused by a variety of enteroviruses, is a viral disease that has been reported in most countries and regions. It is prevalent throughout the year, and predominantly seen in infants and young children. Most HFMD patients have mild symptoms, mainly fever and rash or herpes on the hands, feet and mouth. A small number of patients may also develop complications like aseptic meningitis, encephalitis, acute delayed paralysis, respiratory infections and myocarditis. HFMD prevalence in China peaked in 2014 and has started to drop since 2016 after inactivated EV71 vaccines became available. However, China still has the largest number of HFMD cases and associated deaths reported globally. In 2022, there were 672,911 HFMD cases and six deaths caused by HFMD in China. Common viruses which cause HFMD include EV71, Coxsackievirus A16 (the "**CA16**"), Coxsackievirus A10 (the "**CA10**") and Coxsackievirus A6 (the "**CA6**"). With the mass deployment of inactivated EV71 vaccines in recent years, the pathogen spectrum of HFMD has changed dramatically from dominance of EV71 to the co-circulation of all four prevailing HFMD-causing enteroviruses, EV71, CA16, CA10 and CA6, which together account for about 90% of HFMD cases in China. EV71 accounts only for 21% of HFMD cases in China currently.

Market Size

The first inactivated EV71 vaccines for the prevention of HFMD were approved in China in 2016. Driven by high incidence rate in areas with high population densities, China's HFMD vaccine market size has reached RMB4.4 billion in 2022 in terms of sales revenue, growing from RMB3.3 billion in 2017 at a CAGR of 5.7% from 2017 to 2022. Furthermore, China's HFMD vaccine market size is expected to reach RMB8.0 billion in 2031 at a CAGR of 6.9% from 2022 to 2031. The following chart illustrates China's HFMD vaccine market size in terms of sales revenue for the years indicated.

China's HFMD Vaccine Market Size, 2017-2031E

* *Calculated based on batch release volume and winning public bid information*

Source: Chinese Academy of Inspection and Quarantine, Frost & Sullivan analysis

Competitive Landscape

As of the Latest Practicable Date, all of the approved vaccines for the prevention of HFMD in China are inactivated EV71 vaccines. The following table summarizes the approved HFMD vaccines as of the Latest Practicable Date.

Type	Generic name	Trade name	Manufacturer	Approval in China
Inactivated vaccine	Inactivated EV71 vaccine (human diploid cell)	EntroVac®	Institute of Medical Biology, Chinese Academy of Medical Sciences	Yes
	Inactivated EV71 vaccine (Vero cell)	Inlive®	Sinovac Biotech Ltd.	Yes
	Inactivated EV71 vaccine (Vero cell)	EV71 Vaccine (Vero cell), Inactivated	Wuhan Institute of Biological Products Co., Ltd.	Yes

Source: Frost & Sullivan Report

As of the Latest Practicable Date, there are eight HFMD vaccine candidates under clinical development in China. The following table summarizes the HFMD vaccine candidates in clinical trials in China as of the Latest Practicable Date.

Type	Vaccine candidate name	Developer	Clinical phase
Inactivated vaccine	Inactivated EV71 vaccine (Vero cell)	Beijing Zhifei Lvzhu Biopharmaceutical Co., Ltd.	Phase II
	Inactivated EV71-CA16 bivalent enterovirus vaccine (Vero cell)	Sinovac Biotech Ltd.	Phase I/II
	Inactivated EV71 vaccine (Vero cell), adsorbed	Hualan Biological Vaccine Inc.	IND approved
	EV71-CA16 bivalent HFMD vaccine (Human diploid cell)	AIM Vaccine Co., Ltd.	IND approved
	EV71-CA16 bivalent inactivated vaccine (Human diploid cell)	Institute of Medical Biology, Chinese Academy of Medical Sciences	IND approved

Type	Vaccine candidate name	Developer	Clinical phase
Recombinant protein vaccine	Recombinant EV71 vaccine (Hansenula polymorpha)	Shenzhen Kangtai Biological Products Co., Ltd.	Phase II
	Recombinant EV71 vaccine (Hansenula polymorpha)	Shanghai Bovax Biotechnology Co., Ltd	Phase I
	Recombinant EV71 vaccine (Pichia pastoris)	Shanghai Zerun Biotechnology Co., Ltd.	IND approved

Source: Frost & Sullivan Report

POLIO VACCINE MARKET ANALYSIS

Overview

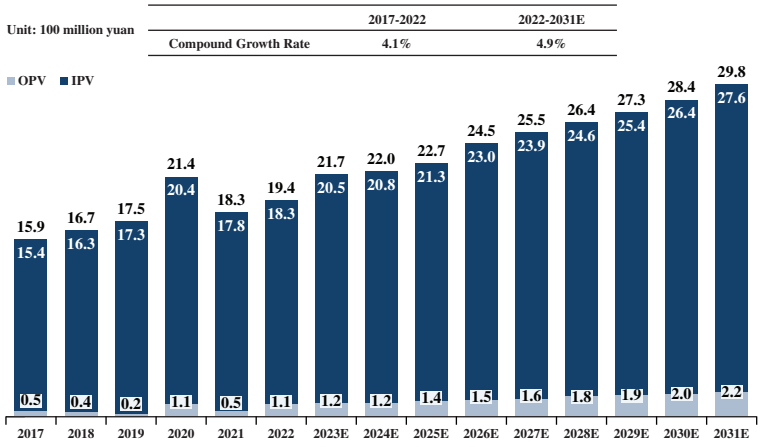
Polio, commonly known as poliomyelitis, is a disabling and life-threatening disease that spreads through the fecal-oral route and poses a serious health risk largely to children under 5 years of age. Polio is caused by poliovirus ("**PV**") serotypes 1, 2 and 3. All three types of polioviruses can cause permanent paralysis and death. There is no specific antiviral drug for polio, and controlling polio relies on high vaccination coverage. Low vaccination rates can lead to the circulation of poliovirus in communities and a potential for outbreaks.

There are two categories of polio vaccines available on the market: the inactivated polio vaccine (the "**IPV**") and the live-attenuated oral polio vaccine (the "**OPV**"). IPV is an injectable vaccine containing inactivated polioviruses, while OPV is an oral vaccine containing weakened live poliovirus(es). Both vaccines have made great contribution to the prevention and reduction of poliomyelitis. Cases due to wild poliovirus have decreased by more than 99% since 1988 due to universal polio vaccination. However, to secure a lasting and sustained world free of all polioviruses, global communities will have to continue to ensure every child is fully vaccinated against polio. Looking to the future of polio prevention, WHO advocates for the development of PV vaccines with a non-infectious process, such as virus-like particle vaccines, as it is important to reduce the risk of re-introduction of poliovirus from laboratories and vaccine production sites in the post-certification era.

Market Size

Driven by high public awareness and government support, China's polio vaccine market size has reached RMB1.9 billion in 2022 in terms of sales revenue, growing from RMB1.6 billion in 2017 at a CAGR of 4.1% from 2017 to 2022. The fluctuation in 2020 was primarily due to the commencement of the "2+2" new immunization program. Furthermore, China's polio vaccine market size is expected to reach RMB3.0 billion in 2031 at a CAGR of 4.9% from 2022 to 2031. The following chart illustrates China's polio vaccine market size in terms of sales revenue for the years indicated.

China's Polio Vaccine Market Size, 2017-2031E



Source: WHO, NMPA, Frost & Sullivan analysis

Competitive Landscape

As of the Latest Practicable Date, there are over 25 approved polio vaccines globally and 11 approved polio vaccines in China. Approved polio vaccines in China include four types, namely live attenuated bivalent polio vaccine (the "**bOPV**"), live attenuated trivalent polio vaccine (the "**tOPV**"), inactivated polio vaccine (the "**IPV**"), and combination vaccines containing IPV. IPV, which is safer than OPV because the administration of IPV will not lead to vaccine-associated paralytic polio or vaccine-derived poliovirus, will become the mainstream choice for polio vaccination. China initiated a new immunization strategy for polio in May 2016 by discontinuing the use of tOPV and pivoting to one dose of IPV plus three doses of bOPV. Starting from December 2019, the routine immunization procedure for polio in China evolved from one dose of IPV plus three doses of bOPV to two doses of IPV plus two doses of bOPV, with the second dose switched from bOPV to IPV. The following table summarizes the approved polio vaccines in China, combination vaccine included, as of the Latest Practicable Date.

Type	Generic name	Manufacturer	Dosage form
IPV	Inactivated sabin strain polio vaccine (Vero cell)	Institute of Medical Biology, Chinese Academy of Medical Sciences	Injection
IPV	Inactivated sabin strain polio vaccine (Vero cell)	Sinovac Biotech Ltd.	Injection
IPV	Inactivated sabin strain polio vaccine (Vero cell)	Beijing Institute of Biological Products Co., Ltd.	Injection

Type	Generic name	Manufacturer	Dosage form
IPV	Inactivated polio vaccine	Sanofi Pasteur SA	Injection
Combination vaccine	Diphtheria, Tetanus, Pertussis (Acellular) Poliomyelitis (Inactivated) Vaccine and Haemophilus influenzae Type B Conjugate Vaccine (Adsorbed)	Sanofi Pasteur SA	Injection
bOPV	Oral type I and type III polio vaccine (Human diploid cell), live attenuated	Beijing Institute of Biological Products Co., Ltd.	Oral solution
bOPV	Oral type I and type III polio vaccine (Human diploid cell), live attenuated	Institute of Medical Biology, Chinese Academy of Medical Sciences	Oral solution
bOPV	Live attenuated type I and type III polio vaccine (Human diploid cell) in sugar pill	Institute of Medical Biology, Chinese Academy of Medical Sciences	Pill
tOPV	Live attenuated polio vaccine (Human diploid cell) in sugar pill	Institute of Medical Biology, Chinese Academy of Medical Sciences	Pill
tOPV	Live attenuated polio vaccine (Human diploid cell) in sugar pill	Beijing Institute of Biological Products Co., Ltd.	Pill
tOPV	Oral polio vaccine (Human diploid cells), live attenuated	Beijing Institute of Biological Products Co., Ltd.	Oral solution

Source: Frost & Sullivan Report

As of the Latest Practicable Date, there are six polio vaccine candidates, combination vaccine included, under clinical development in China. The following table summarizes the polio vaccine candidates in clinical trials in China as of the Latest Practicable Date.

Type	Vaccine candidate name	Developer	Clinical phase
IPV	Inactivated sabin strain polio vaccine (Vero cell)	Beijing Tiantan Biological Products Co., Ltd.	Phase III
IPV	Inactivated sabin strain polio vaccine (Vero cell)	Wuhan Institute of Biological Products Co., Ltd./Beijing Institute of Biological Products Co., Ltd.	BLA
IPV	Inactivated sabin strain polio vaccine (Vero cell)	Beijing Minhai Biotechnology Co., Ltd.	BLA
Combination vaccine	Diphtheria, Tetanus, Pertussis (Acellular) and Poliomyelitis (Inactivated) Vaccine, adsorbed	Beijing Minhai Biotechnology Co., Ltd.	Phase I
Combination vaccine	Diphtheria, Tetanus, Pertussis (Acellular) Poliomyelitis (Inactivated) Vaccine and Haemophilus influenzae Type B Conjugate Vaccine, adsorbed	Beijing Minhai Biotechnology Co., Ltd.	Phase I
Combination vaccine	Diphtheria, Tetanus, Pertussis (Acellular) and Poliomyelitis (Inactivated) Vaccine, adsorbed	Wuhan Institute of Biological Products Co., Ltd.	Phase I

Source: Frost & Sullivan Report

PRC LAWS AND REGULATIONS

Our business operations are subject to extensive supervision and administration by the Chinese government. This section sets out: (i) the introductions of the Chinese governmental agencies with jurisdiction over our operation; and (ii) the overview of the laws, regulations and policies we must comply with.

REGULATORY AUTHORITIES

NMPA and Its Evaluation Center

NMPA, successor to the China Food and Drug Administration (國家食品藥品監督管理總局) is the department in charge of the pharmaceutical industry of China. It is responsible for drawing up the laws and regulations related to pharmaceuticals, vaccine and medical devices, making policy planning, formulating departmental regulations, organizing the development and issuance of pharmaceutical and medical device standards, classification and management systems, such as national formulary, and supervising the implementation.

The Center for Drug Evaluation (the "**CDE**") is the technical evaluation unit for drug registration with NMPA. It is mainly responsible for conducting technical evaluation on the drugs applying for registration and verifying the relevant drug registrations.

NHC

The National Health Commission (國家衛生健康委員會) (formerly known as the National Health and Family Planning Commission), (the "**NHC**"), is primary national regulator for public health and family planning management. It is primarily responsible for drafting national health policies, supervising and regulating public health, healthcare services, and health emergency systems, coordinating the reform of medical and health system, organizing the formulation of national drug policies and national essential medicine system, launching an early warning mechanism for the monitoring of the use and clinical comprehensive evaluation of medicine as well as the drug shortage, giving suggestions on the pricing policy of national essential medicine, and regulating the operation of medical institutions and practicing of medical personnel.

NIFDC

The National Institutes for Food and Drug Control (中國食品藥品檢定研究院) (the "**NIFDC**") is a public institution directly subordinate to NMPA and the statutory authority and supreme technical arbitration institution for inspecting the quality of pharmaceuticals and biological products. It is responsible for the approval and registration inspection, import inspection, supervision and inspection, safety evaluation of drugs, biological products, medical devices, foods, dietary supplements, cosmetics, laboratory animals and package materials and the batch release of biological products, the research, distribution and management of the national drug and medical device reference materials and bacterial and viral strains for production verification, as well as the relevant technical research.

In accordance with the Drug Registration Regulation (《藥品註冊管理辦法》) (the "**Drug Registration Regulation**"), the NIFDC shall undertake the drug registration inspection and other relevant work which are required for implementation of drug registration administration. Specifically, the NIFDC or a drug inspection institution designated by the NMPA shall undertake inspection for registration of the following drugs: innovative drugs; modified new drugs (except for traditional Chinese medicine); biological products, radioactive drugs and in-vitro diagnostic reagents subject to drug management; and other drugs stipulated by the NMPA.

China CDC

Under the leadership of National Health Commission, Chinese Center for Disease Control and Prevention (中國疾病預防控制中心) (the "**China CDC**") exerts its function in technical guidance and support of public health. Focusing on the key tasks of national disease prevention and control, China CDC studies on the strategies and measures for disease prevention and control, organizing and implementing the work plan for various kinds of disease prevention and control. It takes care of management of public health services, including food safety, occupational safety, health related product safety, radio logical health, environmental health, as well as women and children's health. China CDC forcefully carries out operational researches, and enhances technical instruction, training and quality controls in national disease prevention and control, as well as in public health service and plays the leading role nationwide in disease prevention and control, health emergency response and capacity building of public health information.

NDRC

NDRC is mainly responsible for participating in the formulation of health development policies, the establishment of technical reform investment projects, the macro guidance and management of the economic operation of pharmaceutical enterprises, and the supervision of the implementation of relevant policies and regulations. NDRC also regulate the price of drugs circulated in the market.

MOFCOM

Ministry of Commerce (商務部) (the "**MOFCOM**") is responsible for guiding and managing the foreign investment absorption in the country, drawing up the laws and regulations related to foreign investment, formulating the relevant rules, policies and reform schemes, organizing the implementation, supervising and inspecting the implementation status; participating in the formulation and joint issuance of Special Management Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) and Encouraging Foreign Investment Industries Catalogue (《鼓勵外商投資產業目錄》) with the NDRC; managing and guiding the foreign investment review, approval and filing works.

NHSA

NHSA is mainly responsible for formulating and organizing the implementation of policies, plans and standards for medical insurance, maternity insurance, medical aid and other medical security systems, organizing the formulation and adjustment of prices and charging standards for drugs and medical services, and formulating and supervising the implementation of the bidding and procurement policies for drugs and medical consumables.

REGULATORY PROVISIONS

Laws and Regulations Related to Drugs

Introduction

In 2017, the drug regulatory system entered a new and significant period of reform. In October 2017, the General Office of the State Council and the General Office of the Central Committee of the China Communist Party jointly issued the Opinions on Deepening the Reform of the Evaluation and Approval System to Encourage Innovation in Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (the "**the Innovation Opinion**") to encourage, among others, the reform of clinical trial management and acceleration of the review and approval for drugs and medical devices marketing.

To implement the regulatory reform introduced by the Innovation Opinion, the National People's Congress, or the NPC and the NMPA has been revising the fundamental laws, regulations and rules regulating pharmaceutical products and the industry, which include the framework law known as the PRC Drug Administration Law (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**"). The Drug Administration Law was promulgated by the Standing Committee of the NPC, or the SCNPC, on September 20, 1984 and latest amended on August 26, 2019 and took effect as of December 1, 2019. The State Council issued the Regulations for Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), which was promulgated on August 4, 2002 and latest amended on March 2, 2019, to further implement the Drug Administration Law. The NMPA and relevant competent authorities also has its own set of regulations for the Drug Administration Law, and the primary one governing CTAs, marketing approval, and post-approval amendment and renewal is known as the Drug Registration Regulation (《藥品註冊管理辦法》), which was latest amended by the SAMR on January 22, 2020 and effective from July 1, 2020.

Domestic Clinical Trials Approval

Before registering a new drug, a sponsor shall complete clinical trials according to the Drug Registration Regulation. To start the clinical trial, a sponsor needs to apply for clinical trial approval first. As the quality standard for whole processes in the clinical trails of drugs, the Administrative Regulations of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》), or the DCP, was promulgated by NMPA on August 6, 2003 and latest amended by NMPA and NHC which came into effect on July 1, 2020. All clinical trials conducted in China

for new drug registration purposes must be approved and conducted at pharmaceutical clinical trial institutions filed according to the Regulations on the Administration of Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》) promulgated by NMPA and NHC on November 29, 2019.

According to the Announcement of Several Policies on the Evaluation and Examination for Drug Registration (《關於藥品註冊審評審批若干政策的公告》) promulgated by NMPA on November 11, 2015, an umbrella approval would be issued by NMPA for all phases (typically three) of a new drug clinical trial, instead of approvals phase by phase. Provided by the Announcement of the Adjustment of Procedures of the Evaluation and Examination for Drug Clinical Trial (《關於調整藥物臨床試驗審評審批程序的公告》) issued by NMPA on July 24, 2018, applicants could proceed with their clinical trials if they have not received any denial or query from the CDE within 60 business days after the application has been accepted and the relevant application fees have been paid. The newly revised Drug Administration Law further confirms that the CDE under the State Council shall, within 60 working days from the date on which the application for a clinical trial is accepted, decide on whether to approve it and then notify the clinical trial applicant. In the case of failure to notify the applicant within the prescribed time limit, its hall be deemed as approved.

Domestic Drug Clinical Trial Registration

Pursuant to the Drug Registration Regulation, upon obtaining the clinical trial approval and before commencing a clinical trial, the sponsor shall register the scheme of the clinical trial and other information on the Drug Clinical Trial Registration and Information Platform for clinical trials of drugs. During the clinical trial of drugs, the sponsor shall update registration information continuously, and register information on the outcome of the clinical trial of drugs upon completion of the clinical trial of drugs. The registration information shall be published on the platform and the sponsor shall be responsible for the veracity of such information. More details are provided in the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) released by the NMPA on September 6, 2013, providing that for all clinical trials approved by the NMPA and conducted in China shall be published through the Drug Clinical Trial Registration and Information Platform. The applicant shall complete trial pre-registration within one month after obtaining the clinical trial approval to obtain the trial's unique registration number and shall complete the registration of follow-up information and first submission for publication before the first subject's enrollment in the trial. If the foregoing first time of publication has not been submitted within one year after obtaining the clinical trial approval, the applicant shall submit an explanation, and if the first submission for publication is not completed within three years, the clinical trial approval shall automatically be annulled.

Clinical Trial Process and Good Clinical Practices

Pursuant to the Drug Registration Regulation, drug clinical trials in China shall go through four phases. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing research clinical. The NMPA requires that the different phases of clinical trials in China shall receive ethics committee approval respectively and comply with the relevant requirements of quality management standards for clinical trial of drugs in PRC. The sponsor shall submit safety update reports on the CDE website regularly during the research and development period. The sponsor shall promptly report to the CDE regarding suspicious and unexpected serious adverse reaction and other potential serious safety risks arising in the course of the clinical trial. Based on the severity of the safety risks, the sponsor may be required to adopt measures to strengthen risk control, and may be required to suspend or terminate the clinical trial of drugs where necessary.

According to the DCP, the sponsor shall provide investigators and the clinical trial institution with legal and economic insurance or guarantee relating to the clinical trial, and ensure that such insurance or guarantee is appropriate to the nature and degree of risks of the clinical trial, excluding the damages caused by the negligence of investigators or the clinical trial institution. Pursuant to the Innovation Opinion, the accreditation of the institutions for drug clinical trials shall be subject to record-filing administration. The conduct of clinical trials must adhere to the DCP, and the protocols must be approved by the ethics committees. Pursuant to the newly amended the Regulations on the Administration of Drug Clinical Trial Institution (《藥物臨床試驗機構管理規定》) and Drug Administration Law jointly promulgated by NMPA and NHC on November 29, 2019 and effective from December 1, 2019, drug clinical trial institutions shall be subject to filing administration. Entities that only conduct analysis of biological samples related to clinical trials of drugs are not required perform filing procedures.

Overseas Clinical Trial

On January 30, 2015, the NMPA promulgated the Guidelines for International Multi Center Clinical Trials of Drugs (for Trial Implementation) (《國際多中心藥物臨床試驗指南(試行)》) to guide the application, implementation and administration of international multi-center drug clinical trials in China. When the data of international multi-center drug clinical trials are used to support the drug registration applications in China, a further trend analysis concerning clinical trial data in China and Asia shall be conducted, during which the consistency of characteristics between subjects in the study and subjects in China shall be considered. The sample size of Chinese subjects shall be sufficient to evaluate and infer the safety and effectiveness and meet the requirements of statistics and relevant laws and regulations. Also, both domestic and overseas centers involved in the multi-center clinical trial are subject to on site inspection organized by PRC drug administrative departments.

According to the Opinion on Deepening the Reform of the Examination and Approval System for Encouraging Innovations of Drugs and Medical Devices issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council on October 8, 2017, the clinical trial data obtained from overseas centers may be used to apply for drug registration in China if they meet the relevant requirements for the drug registration in China. If any application is filed to put a drug on the market in China for the first time, the applicant for registration shall provide the clinical trial data on racial difference, if any.

According to the Guiding Technical Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) issued by NMPA on July 6, 2018, if drug registration applicants use overseas clinical trials for drug registration applications in China, all overseas clinical trial data shall be provided, rather than selectively. If drug registration applicants plan to carry out follow-up clinical research and development following the early overseas clinical trials, they shall evaluate the early clinical trial data and only after having obtained complete clinical trial data and communicated with the CDE, these data could be used to support the follow-up clinical trials.

Non-Clinical Research and Animal Testing

According to the Quality Management Standard for Non-clinical Research of Drugs (《藥物非臨床研究質量管理規範》) issued by the NMPA in 2003 and revised on July 27, 2017, the non-clinical safety assessment for applying for drug registration should be carried out according to the standard. On April 16, 2007, the NMPA issued the Measures for the Certification and Management of Non-clinical Drug Research Quality Management Practices (《藥物非臨床研究質量管理規範認證管理辦法》), which was revised on 19 January 2023 and effective from 1 July 2023, provided that the NMPA can evaluate the organization and management, researchers, equipment and facilities, operation and management of non-clinical projects, and evaluate whether the institution is qualified for non-clinical research. If it meets the requirements, the NMPA will issue the non-clinical research quality management standard certification.

The State Science and Technology Commission promulgated the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) in November 1988, which were amended by the State Council in January 2011, July 2013 and March 2017. The State Science and Technology Commission and the State Bureau of Quality and Technical Supervision jointly promulgated the Administration Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》) in December 1997. The State Science and Technology Commission and other regulatory authorities promulgated the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》) in December 2001. All of these laws and regulations require a Certificate for Use of Laboratory Animals for performing experimentation on animals.

Human Genetic Resources Approval and Registration

The Ministry of Science and Technology promulgated the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) in July 2015, according to which, if the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry of Science and Technology issued the Announcement on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》), which simplified the approval for utilizing human genetic resources for the purpose of obtaining the marketing license of a drug in the PRC.

On May 28, 2019, the State Council of PRC issued the Administrative Regulations on Human Genetic Resources (《人類遺傳資源管理條例》) (the "**Human Genetic Resource Regulation**"), which became effective on July 1, 2019. According to the Human Genetic Resource Regulation, human genetic resource includes human genetic resource materials and information. Human genetic resource materials refer to organs, tissues, cells and other genetic materials containing human genome, genes and other genetic materials. Human genetic resource information refers to information, such as data, generated by human genetic resources materials. The Human Genetic Resource Regulation formalized the approval requirements pertinent to research collaborations between Chinese and foreign-owned entities, under which, a new filing system (as opposed to the advance approval approach originally in place) is put in place for clinical trials utilizing China's human genetic resources in order to obtain market license at clinical institutions without involving the export of human genetic resources materials outside of China. Foreign organizations, individuals and institutions established or actually controlled by foreign organizations and individuals are not allowed to collect or preserve human genetic resources in China or provide human genetic resources abroad.

The Bo-security Law of the PRC (《中華人民共和國生物安全法》) promulgated by the SCNPC on October 17, 2020, which came into effect on April 15, 2021. The bio-security Law of the PRC reaffirms that the State shall have sovereignty over the human genetic resources and biological resources of China and also provides the regulatory requirements set out in the Administrative Regulations on Human Genetic Resources of the PRC.

On May 26, 2023, the MOST promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人類遺傳資源管理條例實施細則》), or the Implementation Rules for HGR, which will come into effect on July 1, 2023. The Implementation Rules for HGR further provide detailed implementation regulations for the Administration of Human Genetic Resources of the PRC, and clarify the scope of human genetic resource information, which shall include information resources generated from human genetic resource materials (such as human genes and genome data) and exclude clinical data, image data, protein data and metabolic data; and Specifically list the situations where security

review may be required, which shall include: (i) human genetic resource information of important genetic families; (ii) human genetic resources information of specific regions, (iii) exome sequencing and genome sequencing information resources with a population greater than 500 cases; and (iv) other situation that may affect the public health, national security and social public interest of China.

New Drug Application and Approval

According to the Drug Registration Regulation, an applicant shall, upon completion of studies including pharmacy, pharmacology and toxicology and clinical trial of drugs which support the registration of drug marketing, determination of quality standards, verification of commercial scale manufacturing process, and preparation to undergo examination and inspection for drug registration, submit an application for drug marketing authorization, and submit the relevant research materials in accordance with the submission requirements. The CDE shall organize pharmacist, medical and other technical personnel to comprehensively review the application regarding the safety, effectiveness and quality control of the drug. Where the application is cleared by the comprehensive review, the drug shall be approved for marketing and a drug registration certificate shall be issued.

In accordance with Drug Registration Regulation, during drug clinical trials, applications for conditional approval may be submitted for drugs falling under any of the following circumstances: (1) the drugs are used for treatment of diseases that seriously endanger life and have no effective measure of treatment, and the data of drug clinical trials can prove the efficacy and forecast the clinical value of the drugs; (2) the drugs are urgently needed for public health, and the data of drug clinical trials can prove the efficacy and forecast the clinical value of the drugs; or (3) vaccines are urgently needed to deal with major public health emergencies or other vaccines which the NHC deems to be urgently needed, and it is assessed that the benefits thereof outweigh the risks therein.

An applicant that applies for conditional approval shall communicate with the CDE about the conditions for marketing with conditional approval and the research work to be completed after marketing, among others, and submit an application for marketing authorization after making confirmation through communication. If it is reviewed that the requirements for conditional approval are satisfied, the drug registration certificate shall indicate the validity period of the conditional approval drug registration certificate, the research work to be completed after marketing, time limit for completion, and other relevant matters.

With respect to drugs with conditional approval, MAHs shall take corresponding risk management measures after the drugs are marketed, complete drug clinical trials and relevant research as required within the specified time limit, and submit an application in the form of a supplementary application. If any further research is required during approval of an application for vaccine registration, the vaccine holder shall complete the research within the specified time limit.

Under the Drug Registration Regulation, drugs are classified into Chinese medicine, chemical medicine, biological products and others. Biological products are further divided in 3 categories in the Registration Classification and Application Documents Requirements of Biological Products (《生物製品註冊分類及申報資料要求》) (the "**Registration Category**"), which was promulgated by the NMPA on June 29, 2020 and replaced the previous version issued in 2007. Pursuant to the Registration Category, Category I therapeutic biological products or vaccines refer to those have not been marketed in the PRC or abroad. Category II therapeutic biological products or vaccines refer to improved ones which, compared with the existing products marked in the PRC or abroad, could improve the safety, effectiveness and quality controllability, and have obvious advantages. Category III therapeutic biological products or vaccines refer to those have been marketed in the PRC or abroad.

Pursuant to the newly amended Drug Administration Law, an applicant who has obtained a drug registration certificate shall be recognized as a drug marketing authorization holder, responsible for non-clinical laboratory studies, clinical trials, production and distribution, post-market studies, and the monitoring, reporting, and handling of adverse reactions in connection with pharmaceuticals in accordance with the provisions of the Drug Administration Law. The drug marketing authorization holder may engage in manufacturing or distribution on their own or to entrust a licensed third party. At the time of application for drug marketing authorization, the applicant and the manufacturing enterprise shall have held the corresponding Pharmaceutical Manufacturing Permit.

Biosimilars Application and Approval

Biosimilars refer to therapeutic biological products that are similar to approved and registered reference drugs in terms of quality, safety and efficacy. In accordance with the Guidelines for the R&D and Evaluation of Biosimilar Drugs (for Trial Implementation) (《生物類似藥研發與評價技術指導原則(試行)》) (the "**Guiding Principles**") issued by NMPA on 28 February 2015, biosimilars shall be declared according to the application procedures for new drugs. Application materials for therapeutic biological products shall be submitted following specific requirements in the Guiding Principles.

The Guiding Principles outline the regulatory framework for biosimilars in China and provide the basic principles for the evaluation and management of biosimilars. It sets forth the definition of biosimilars and reference drugs, the requirements in relation to the selection of reference drugs, the basic principles for the technical review, the criteria for comparability, and the conditions under which extrapolations of indications would be permissible. According to the Guiding Principles, a biosimilar drug should in principle have the same amino acid sequence as the reference drug, and the R&D and evaluation of biosimilars should be carried out in accordance with basic principles (i.e. comparison principle, dose-escalation principle, consistency principle and equivalence principle) and should cover pharmaceutical, non-clinical and clinical research and evaluation. The Guiding Principles set out provisions for the expansion of indications of biosimilars. When similarities are proved in comparative trials, the indications of biosimilars may be expanded to include other indications of reference drugs. The expanded indications shall be those with same pathological mechanisms and/or receptors and the same action mechanisms and targets. In comparative trials, appropriate indications shall be selected and subsequent evaluation shall be made on the safety and immunogenicity of the

expanded indications. The expansion of indications shall be considered according to product features on case basis. However, caution shall be taken in expanding indications for groups with combined medication, patients with different combined diseases and different recommended dosage.

With respect to the application and approval process for imported biosimilars developed overseas, according to the PRC Drug Administration Law (《中華人民共和國藥品管理法》), the importation of biosimilars which have been approved overseas shall be examined by the drug regulatory authority of the State Council. Import approval shall be granted only after the examination confirms that the drugs comply with quality standards and are safe for use. A Registration Certificate for Imported Drugs shall then be issued. According to the Drug Registration Regulation (《藥品註冊管理辦法》), the application for registration of drugs produced overseas shall be filed in accordance with the requirements for the detailed classification and the corresponding application materials. In order to cooperate with the implementation of the Drug Registration Regulation, the NMPA formulated the Registration Category, and the Registration Classification of Biological Products part came into effect on July 1, 2020 while the Requirements for Application Materials part came into effect on October 1, 2020. According to the Registration Category, the biosimilars are classified as category 3.3.

On February 10, 2021, the NMPA issued the Technical Guidelines for Similarity Evaluation and Indication Extrapolation of Biosimilars (《生物類似藥相似性評價和適應症外推技術指導原則》) (the "**Technical Guidelines**") to further standardize the development and evaluation of biosimilars, which came into effect on the same day. According to the Technical Guidelines, the similarity evaluation of biosimilars should be carried out comprehensively from the perspective of pharmaceutical, non-clinical and clinical studies to determine the overall similarity. And the similarity evaluation should be carried out on different stages of biopharmaceutical studies.

Drug Manufacturing

According to the Drug Administration Law and Administrative Measures on Supervision of Pharmaceutical Manufacturing (《藥品生產監督管理辦法》) which was promulgated by the NMPA on December 11, 2002 and last amended on January 22, 2020 and effective on July 1, 2020, all facilities that manufacture drugs in China must apply for a Pharmaceutical Manufacturing Permit which are issued by the drug supervision and administration department of the province, autonomous region or municipality directly under the central government where it is domiciled. The Pharmaceutical Manufacturing Permit is valid for five years and shall be renewed six months before the expiry date. The drug marketing authorization holder who entrusts another party to produce preparations shall meet the requirements as specified in Administrative Measures on Supervision of Pharmaceutical Manufacturing, sign an entrustment agreement and a quality agreement with a qualified drug producer, and submit the relevant agreements and the application materials of the actual production site to provincial drug administrative departments where the drug marketing authorization holder is located to apply for the drug manufacturing license. When an application for marketing authorization is submitted, the applicant and the manufacturer shall have obtained the corresponding Pharmaceutical Manufacturing Permit.

Laws and Regulations Related to Vaccines

Vaccine Policies

The Laws on Prevention and Treatment of Infectious Diseases (《中華人民共和國傳染病防治法》), issued in February 1989 and amended in August 2004 and June 2013, stipulates that a planned prophylactic vaccination system is performed in the PRC. The health administration department under the State Council and such departments under the people's governments of provinces, autonomous regions, and municipalities directly under the central government shall, in accordance with the requirements of prevention and control of infectious diseases, draw up plans for prophylactic vaccination against infectious diseases and coordinate efforts for their implementation. Vaccines used for prophylactic vaccination shall conform to the quality standards of the PRC.

According to the Vaccine Administration Law of the PRC (《中華人民共和國疫苗管理法》) (the "**Vaccine Administration Law**"), which was promulgated by the SCNPC on June 29, 2019 and came into effect on December 1, 2019, the State applies the most stringent management system for vaccines, and adheres to the principles of safety first, risk management, whole-process control, scientific supervision and social co-governance. Also, a National Immunization Program system is applied in the PRC, under which the government would provide vaccines under the immunization program to the residents free of charge.

According to Bio security Law of the PRC (《中華人民共和國生物安全法》) (the "Bio security Law"), which was promulgated by the SCNPC on October 17, 2020 and came into effective on April 15, 2021, organizations engaged in biotechnology research and development shall comply with the national safety administration norms for biotechnology research and development. The high- or medium-risk biotechnology research and development activities shall be carried out by corporate bodies law fully established within the territory of China and shall be approved or filed for record in accordance with the law. The corporate bodies engaged in high- or medium-risk biotechnology research and development activities shall conduct risk assessment, formulate risk prevention and control plans and emergency plans for biosafety incidents, and reduce the risks in the implementation of the research and development activities. The clinical research of new biomedical technologies shall pass the ethical review and be conducted in the medical institutions with corresponding qualifications; the operation of human clinical research shall be conducted by the professional medical workers with corresponding qualifications.

Vaccine Administration

On January 15, 2017, the General Office of State Council issued Opinions on Further Enhancing Administration of Circulation and Vaccination of Vaccines (《關於進一步加強疫苗流通和預防接種管理工作的意見》) (the "**Vaccine Opinion**") among others, to improve the work mechanism for the management of vaccines and promote the independent R&D and quality improvement of vaccines. The SCNPC released the Vaccine Administration Law requires the most stringent management system for vaccines, and at the same time, supports the basic research and applied research on vaccines, promotes the development and innovation of

vaccines, including the development, production and reserve of vaccines for the prevention and control of serious diseases in the national strategy. Entities and individuals engaged in vaccine development, production, circulation and vaccination shall abide by the laws, regulations, rules, standards and specifications, ensure that the information during the whole process is true, accurate, complete and traceable, assume responsibilities in accordance with the law and accept social supervision.

Pursuant to the Vaccine Administration Law, vaccine marketing authorization holders shall establish an electronic vaccine traceability system, which is connected with the national electronic vaccine traceability collaboration platform to realize the traceability and verifiability of the smallest packaging units of vaccines in the whole process of production, circulation and vaccination. In addition, vaccine marketing authorization holders are required to purchase compulsory liability insurance for their vaccines. Where an inoculated person suffers any damage due to vaccine quality problems, the insurance company shall pay compensation within the limit of liability insured.

Development and Registration of Vaccines

On October 14, 2005, the NMPA promulgated the Notice on Issuing Six Technical Guidelines including the Technical Guidelines on Preclinical Study of Preventive Vaccines (《關於印發〈預防用疫苗臨床前研究技術指導原則〉等6個技術指導原則的通知》), which specified the requirements on preclinical research, change of production process, quality control in clinical stages of vaccine to ensure its safety and efficacy.

According to the Vaccine Administration Law, clinical trials of vaccines shall not be conducted without obtaining the approval of the drug administrative department under the State Council. Clinical trials of vaccines shall be conducted or organized for implementation by Grade III medical institutions that meet the conditions prescribed by the drug administrative department under the State Council and the competent health department under the State Council, or by disease prevention and control institutions at or above the provincial level.

A vaccine to be marketed within the territory of China shall be approved by the drug administrative department under the State Council and obtain a drug registration certificate; when applying for registration of a vaccine, an applicant shall provide true, sufficient and reliable data, information and samples. With respect to the vaccines urgently needed for disease prevention and control as well as the innovative vaccines, the drug administrative department under the State Council shall prioritize their evaluation and approval.

According to the Vaccine Administration Law, for vaccines urgently needed for disease prevention and control as well as the innovative vaccines, the NMPA shall prioritize the evaluation and approval work. With respect to a vaccine urgently needed for responding to a major public health emergency or any other vaccines urgently needed as determined by the health department under the State Council, if the benefits outweigh the risks upon assessment, the drug administrative department under the State Council may conditionally approve the vaccine registration application.

According to the Drug Registration Regulation, before the applicant submits an application for drug marketing authorization, it shall communicate with the CDE and, upon communication and confirmation, submit the application for drug marketing authorization and simultaneously submit an application for prioritized review and approval. Upon included in the procedures for prioritized review and approval, the sponsors could enjoy, among others, a shortened review period for drug marketing authorization within 130 days.

Production and Batch Release of Vaccines

According to the Vaccine Administration Law, whoever engages in vaccine production activities shall, in addition to meeting the conditions for engaging in drug production activities as prescribed in the Drug Administration Law, also meet the following conditions: (1) Having moderate scale and sufficient capacity reserves; (2) Having systems, facilities and equipment for ensuring bio-safety; and (3) Meeting the needs of disease prevention and control. A vaccine marketing authorization holder shall have the capacity for production of vaccines. If it is really necessary to entrust the production of vaccines in excess of its capacity, the vaccine marketing authorization holder shall obtain the approval of the drug administrative department under the State Council. When it accepts the entrustment to produce vaccines, it shall abide by the provisions of the Vaccine Administration Law and the relevant provisions of the State, so as to guarantee the quality of vaccines.

The State adopts a batch release system for vaccines. Each batch of vaccines shall, before being sold or imported, be examined and inspected according to the relevant technical requirements by the batch release institution designated by the drug administrative department under the State Council. If the requirements are met, a batch release certificate shall be issued; otherwise, a notice on rejecting batch release shall be issued. According to the Measures for Administration of Batch Release of Biological Products (《生物製品批簽發管理辦法》) issued on December 13, 2002 and latest amended on December 11, 2020 and effective on March 1, 2021, the vaccine products with marketing approval shall be subject to document review and sample inspection by the drug batch release institution designated by NMPA and pass the biological product batch release approval before the marketing and sales of each batch of products. Vaccines that are urgently needed for infectious disease prevention and control or for emergencies shall be exempted from the biological product batch release approval upon approval by the NMPA.

According to Notice on further strengthening supervision of vaccine quality and safety (關於進一步加強疫苗質量安全監管工作的通知) which was promulgated by the NMPA on December 31, 2010 and came into effective on the same day, approval of new production of already marketed vaccine products is strictly controlled, which further improve the quality standards of products on the market. Strict quality standards will be applied to vaccines produced by multiple companies, and vaccines produced without dated production methods, preservatives and excipients with safety risks will be phased out.

Circulation of Vaccines

According to the Vaccine Opinion, vaccines should be procured online on the provincial public resource trading platform in accordance with the principles of transparency, competition, and fair trade.

According to the Vaccine Administration Law, the competent health department under the State Council shall, in concert with the finance department under the State Council and other departments, organize centralized bidding or unified negotiation to form and publish the bid-winning price or transaction price of vaccines under the National Immunization Programs, and all provinces, autonomous regions and municipalities directly under the central government shall implement centralized procurement for such vaccines. The procurement of vaccines under other immunization programs other than those under the National Immunization Program and vaccines not under any immunization program shall be organized by provinces, autonomous regions and municipalities directly under the central government through provincial public resources trading platforms.

According to the Vaccine Administration Law, the price of vaccines shall be set reasonably and independently by the vaccine marketing authorization holder according to law. The price level, price difference rate and profit rate of vaccines shall be kept within a reasonable range. A vaccine marketing authorization holder shall, as agreed upon in the procurement contract, supply vaccines to the disease prevention and control institution. A vaccine marketing authorization holder shall, as agreed upon in the procurement contract, deliver vaccines to the disease prevention and control institution or the inoculation entity designated thereby. The vaccine marketing authorization holder and disease prevention and control institution that distribute vaccines themselves shall have the conditions for cold chain storage and transport of vaccines or may entrust eligible vaccine distribution entities to distribute vaccines. A vaccine marketing authorization holder shall, in accordance with the provisions, set up true, accurate and complete sales records, and preserve them for inspection for at least five years after expiry of the validity of the vaccines.

With regard to storage and transportation of vaccines, the present Notice for Distributing Regulations on Administration of Vaccine Storage and Transportation (2017 Edition) (《疫苗儲存和運輸管理規範(2017年版)》), which promulgated by the NMPA and NHC on December 15, 2017 and effective on the same day, requires that, among others, vaccine production enterprises shall be equipped with full-time staff for vaccine management, establish a management system for vaccine storage and transport, maintain cold chain facilities and equipment for storage and transport of vaccines to ensure the quality of vaccines, and must store and transport vaccines in light of the instructions for use of vaccines, the vaccination work rules and other relevant requirements on temperature for storage and transport of vaccines.

Storage and Transportation of Vaccines

According to the Notice for Distributing Regulations on Administration of Vaccine Storage and Transportation (2017 Edition) (《關於印發疫苗儲存和運輸管理規範(2017年版)的通知》), which was promulgated by the NMPA and NHC on December 15, 2017, the vaccine marketing authorisation holder and disease prevention and control institution that distribute vaccines themselves shall have the conditions for cold chain storage and transport of vaccines or may entrust eligible vaccine distribution entities to distribute vaccines.

The disease prevention and control institution may, when distributing vaccines not under the immunization program, charge storage and transport fees. The specific measures shall be formulated by the finance department under the State Council jointly with the competent price department under the State Council, while the charging rates shall be formulated by the competent price department of the people's government of the province, autonomous region, or municipality directly under the Central Government jointly with the finance department.

The disease prevention and control institutions, the inoculation entities, the vaccine marketing authorisation holders and the vaccine distribution entities shall abide by the administrative rules on storage and transport of vaccines, so as to guarantee the quality of vaccines. The whole process of storage and transport of vaccines shall be subject to the prescribed temperature. The cold chain storage and transport shall meet the relevant requirements, and the temperature shall be regularly monitored and recorded. The administrative rules on storage and transport of vaccines shall be jointly formulated by the drug administrative department under the State Council and the competent health department under the State Council. A vaccine marketing authorisation holder shall, in accordance with the provisions, set up true, accurate and complete sales records, and preserve them for inspection for at least five years after expiry of the validity of the vaccines.

Long Term Efficacy and Safety of Vaccines and Biological Products

On March 20, 2003, the NMPA promulgated the Notice on Issuing Nine Technical Guidelines (《關於印發<預防用以病毒為載體的活疫苗製劑的技術指導原則>等9個技術指導原則的通知》), including the Technical Guidelines on Preclinical Study of Preventive DNA Vaccines (《預防用DNA疫苗臨床前研究技術指導原則》), the Technical Guidelines on the Quality Control of Recombinant DNA Products (《人用重組DNA製品質量控制技術指導原則》), the Technical Guidelines on Gene Therapy and the Quality Control of Preparation. (《人基因治療研究和製劑質量控制技術指導原則》. On October 14, 2005, the NMPA promulgated the Notice on Issuing Six Technical Guidelines (《關於印發<預防用疫苗臨床前研究技術指導原則>等6個技術指導原則的通知》), including the Technical Guidelines on Preclinical Study of Preventive Vaccines (《預防用疫苗臨床前研究技術指導原則》), which is revised on April 12, 2010, the Technical Guidelines on the Management on the Change of Production Process of Biological Products (《生物製品生產工藝過程變更管理技術指導原則》), the Technical Guidelines on the Preclinical and Clinical Studies of Combined Vaccines (《聯合疫苗臨床前和臨床研究技術指導原則》), the Technical Guidelines on the Production and Quality Control of Polypeptide Vaccines (《多肽疫苗生產及質控技術指導原則》), the Technical Guidelines on

the Quality Control and Clinical Research of Combined Vaccines (《結合疫苗質量控制和臨床研究技術指導原則》), the Guiding Principles on the Grading Standard for Adverse Reactions in Clinical Trials of Preventive Vaccines (《預防用疫苗臨床試驗不良反應分級標準指導原則》), which is revised on December 26, 2019. These Guidelines specify the requirements on preclinical research, change of production process, quality control in clinical stages of vaccine to ensure its safety and efficacy.

On April 15, 2015, the NMPA issued the Technical Guiding Principles for Stability Research of Biological Products (Trial) (生物製品穩定性研究技術指導原則(試行)), which is applicable to the stability research design and result analysis of stock solution, finished product or intermediate product of biological products.

On December 9, 2019, the NMPA issued the Technical Guiding Principles for Preventive Aluminum Adjuvant Vaccines (預防用含鋁佐劑疫苗技術指導原則), which clarified the technical requirements for pharmacy, preclinical research, clinical research and post-marketing production quality control related to aluminum adjuvant vaccines.

Administration of Vaccines after Marketing

The vaccine marketing authorisation holder shall establish and improve the quality management system for the whole life cycle of a vaccine, formulate and implement the risk management plan after the vaccine is marketed, carry out studies after the vaccine is marketed, and further confirm the safety, effectiveness and quality controllability of the vaccine. With respect to a vaccine for which the requirements for further study are put forward when the application for registration of the vaccine is approved, the vaccine marketing authorisation holder shall complete the study within the prescribed time limit. If it fails to complete the study within the time limit or is unable to prove that the benefits outweigh the risks, the drug administrative department under the State Council shall deal with the matter in accordance with the law up to cancelation of its drug registration certificate.

The vaccine marketing authorisation holder shall continuously update the instructions and labels based on the research conducted after the vaccine is marketed and AEs Following Immunization and shall apply for approval or filing in accordance with the provisions. The drug administrative department under the State Council shall, in a timely manner, disclose the updated contents of the vaccine instructions and labels on its website.

Laws and regulations regarding data compliance

Regulations Related to Data Security

The Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, requires network operators to adopt technical and other necessary measures to ensure security of personal data and safeguard against information leakage, damage or loss. On June 10, 2021, the SCNPC promulgated the Data Security Law of the People's Republic of China (《中華人

民共和國數據安全法》) (the "Data Security Law") which became effective on September 1, 2021. The Data Security Law provides that "data" refers to any recording of information by electronic or other means and "data processing" includes the collection, storage, use, processing, transmission, availability and disclosure of data, etc. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security training as well as take appropriate technical measures and other necessary measures to protect data security. To support the implementation of the Data Security Law, on December 28, 2021, the Cyberspace Administration of China (the "CAC"), jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "Review Measures"), which became effective from February 15, 2022. According to the Review Measures, the online platform operators possessing personal information of more than one million users who are applying for foreign listing, shall make declaration for cybersecurity review with the Office of Cybersecurity Review. Meanwhile, the Review Measures grants the CAC and other competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities influences or may influence national security.

Regulations Related to Personal Information Protection

Pursuant to the Civil Code of the People's Republic of China, the personal information of an individual shall be protected. Any organization or individual shall legally obtain the personal information of any person when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit such personal information, or illegally buy or sell, provide or make public such personal information. A natural person has the privacy right, and provisions on the privacy right shall apply to the private information included in personal information.

According to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "Personal Information Protection Law"), issued on 20 August 2021 by the SCNPC, "Personal information" means all kinds of information related to identified or identifiable natural persons that are electronically or otherwise recorded, excluding information that has been anonymized. The Personal Information Protection Law provided the personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Any data processing activities related to sensitive personal information are only allowed provided such activities are purpose-specified, highly necessary and strictly protected. Cross-border personal information transmission is restricted unless certain requirements in the Personal Information Protection Law have been satisfied, including security review organized by the national cyberspace department and other conditions specified by the laws, regulations and the national cyberspace department.

Laws and Regulations Related to Product Liability

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and coming into effect on January 1, 2021, where a patient suffers damage due to defects in drugs, he may seek compensation from the drug marketing authorization holder or also from the medical institution. Where the patient seeks compensation from the medical institution, the medical institution, after it has made the compensation, shall have the right to recover the compensation from the liable drug marketing authorization holder.

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 respectively by SCNPC, Seller shall be responsible for the repair, replacement or return of the product sold if (1) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (2) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (3) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and 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 amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' personal information and must strictly keep confidential any consumer information they obtain during their business operations.

Laws and Regulations Related to Environmental Protection and Fire Prevention

Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989, came into effect on the same day and last amended on April 24, 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

Pollutant Discharge Licensing

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated on January 10, 2018 and partially revised on August 22, 2019 by the Ministry of Ecology and Environment, or the MEE, enterprises and public institutions as well as other producers and operators included in the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources shall apply for and obtain a pollutant discharge license within a prescribed time limit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the MEE on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

The State Council issued the Regulation on Pollutant Discharge Permit Administration (《排污許可管理條例》) on January 24, 2021 to further enhance the pollutant discharge administration. The administration on pollutant discharge units are divided into key management and simplified management pursuant to the amount of pollutant caused and discharged and the impact on the environment. Their view, decision and information disclosure of pollutant discharge licenses shall be handled through the national pollutant discharge license management information platform. The pollutant discharge license is valid for 5 years and the discharging units should apply for renewal 60 days before the expiry for continues pollutant discharge.

Acceptance Inspection on Environmental Protection Facilities

Interim Measures for Acceptance inspection of Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) also requires that upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

Fire Prevention Design and Acceptance

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) ("**the Fire Prevention Law**"), was issued on April 29, 1998, then became effective on September 1, 1998 and latest amended on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and latest amended on August 1, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Laws and Regulations Related to Intellectual Property

Patent

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) (the "**Patent Law**") is revised by the SCNPC on October 17, 2020 and came into effect on June 1, 2021. According to the current Patent Law, when the invention or utility model patent is granted, unless otherwise stipulate din the Patent Law, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purpose, or use the patented method and use, offer to sell, sell or import the products directly obtained with the patented method. Implementing the patent without the approval of the patent owner constitutes the infringement of patent rights. Any dispute in connection with this shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the patent owner or the relevant stakeholders may file a lawsuit in the people's court or turn to the patent administration authorities for handling.

Trademark

According to the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) revised by the SCNPC on April 23, 2019 and taking effect on November 1, 2019 (the "**Trademark Law**"), the registered trademark has a validity period of 10 years starting from the registration date. The trademark registrant enjoys the exclusive right to use the trademark. Any dispute in connection with the activities the infringe the exclusive right to use a registered trademark set out in Article 57 of the Trademark Law shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the trademark registrant or the relevant stakeholders may file a lawsuit in the people's court or turn to the industrial and commercial administrative department for handling.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

Laws and Regulations Related to Employment and Social Securities

Employment

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) taking effect on January 1, 1995 and revised on December 29, 2018 and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) taking effect on January 1, 2008 and revised on December 28, 2012, a labor contract shall be signed when the employer establishes labor relationship with the worker. The labor contracts shall be signed in written. When agreement is reached after negotiation, labor contracts, including fixed term labor contract, open term labor contract or labor contract based on the completion of work, shall be signed, and the salary shall be no less than the local minimum wage standard. The employer and the worker shall each fully perform its/his obligations in accordance with the labor contract.

Social Securities

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which issued by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was newly revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.5% shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

Housing Provident Fund

According to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) issued by the State Council on April 3, 1999 and revised and implemented on March 24, 2019, the enterprises shall fully pay the housing provident fund contribution for the employees on time, with the contribution ratio no less than 5% of the average monthly salary of the relevant employee in the previous year. The housing provident fund contribution paid by the employees and the employers shall be owned by the employees.

Laws and Regulations Related to Tax

EIT

According to the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), which was promulgated on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and Implementation Regulations for the Corporate Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to EIT at the uniform tax rate of 25%, except for the high-tech enterprises certificated by the state, which will be subject to EIT at the reduced rate of 15%.

VAT

The Provisional Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值税暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值税暫行條例實施細則》), which was promulgated on December 25, 1993 and came into effective on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. According to the Notice of the Ministry of Finance and the SAT on Adjusting Value added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) issued on March 20, 2019 and became effective on April 1, 2019, the VAT rate was reduced to 13% and 9%, respectively.

Laws and Regulations Related to Foreign Exchange

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) issued by the State Council on January 29, 1996 and implemented on April 1, 1996, which was revised on January 14, 1997 and August 5, 2008 respectively, is the key foreign exchange control regulation in force, applicable to the foreign exchange income and payment and foreign exchange operation activities of the domestic institutions and domestic individuals in China and the foreign exchange payment and collection and foreign exchange operation activities of the overseas institutions and overseas individuals in China.

The Regulations on Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) issued by PBOC on June 20, 1996 and implemented on July 1, 1996 set out requirements on the foreign exchange settlement, purchase, payment, opening of foreign exchange account and external payment by the domestic institutions, individual citizens, foreign institutions in China and foreigners in China.

According to the Decision of the State Council on Canceling and Adjusting A Batch of Items Requiring Administrative Approval (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council on October 23, 2014, SAFE and its branches canceled the review and approval on the foreign exchange settlement for the repatriation of funds raised abroad under the overseas listed foreign capital stock account.

In addition, according to the Notice of SAFE on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after the completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of SAFE on Reforming and Standardizing Capital Account Foreign Exchange Settlement Administration Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE on June 9, 2016, it has been specified clearly in the relevant policies that, for the capital account foreign exchange income subject to voluntary foreign exchange settlement (including the repatriation of the proceeds from overseas listing), the domestic institutions may conduct the foreign exchange settlement at the banks according to their operation needs. The proportion of the capital account foreign exchange income subject to voluntary foreign exchange settlement was tentatively set as 100%, provided that SAFE may adjust the aforesaid proportion according to the international payment balance status in good time.

Laws and Regulations Related to Overseas Securities Offering and Listing

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**"), which will become effective on March 31, 2023 and stipulates that domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC.

OVERVIEW

We are a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, on the path to becoming a biopharma company. Our history began on April 14, 2008, when the Company was established in Beijing as a limited liability company under the name of Beijing Health Guard Biotechnology Limited (北京康樂衛士生物技術有限公司) ("**Health Guard Limited**"). Since our establishment in 2008, we have been a pioneer in the R&D of HPV vaccine in China. The Company was co-founded by Mr. LIU Yongjiang (劉永江) ("**Mr. Liu**") and Dr. CHEN Xiaojiang (陳小江) ("**Dr. Chen**") with their personal funds and technology contributions. For details, please refer to "– Our Incorporation" below. Mr. Liu, our executive Director, was appointed as a director of Health Guard Limited in August 2008. He has been our Director since April 2013, and has been chairman of the Board and chief scientific officer since July 2023. Dr. Chen has served in our scientific advisory board since December 2021 and became the chairperson in January 2022. Details of the background of Mr. Liu and Dr. Chen are set out in the sections headed "Directors, Supervisors and Senior Management" and "Business" in this Document, respectively.

In May 2013, our Company was converted into a joint stock company with limited liability and renamed as Beijing Health Guard Biotechnology Inc. (北京康樂衛士生物技術股份有限公司). With a view to obtaining financing and improving our corporate governance and brand awareness, our Company was successfully listed on the NEEQ. Having considered our future corporate development and the opportunities offered by the Beijing Stock Exchange, we applied to go public and list on the Beijing Stock Exchange in March 2022. Our A Shares were successfully listed on the Beijing Stock Exchange (stock code: 833575) on March 15, 2023, and delisted from the NEEQ on the same day.

OUR KEY MILESTONES

The following table shows the key milestones in our corporate and business development.

Year	Milestone
2008	We were established as a limited liability company in Beijing under the name of Beijing Health Guard Biotechnology Limited (北京康樂衛士生物技術有限公司) in April.
2013	We were converted into a joint stock limited company and renamed as Beijing Health Guard Biotechnology Inc. (北京康樂衛士生物技術股份有限公司) in May.
2015	Our Shares became quoted and listed on the NEEQ (stock code: 833575) in September.

Year	Milestone
2017	In September, we obtained an IND approval from the NMPA for clinical trials of our trivalent HPV vaccine candidate in females.
2018	In June, we commenced a phase I clinical trial of our trivalent HPV vaccine candidate in females. In September, we obtained an IND approval from the NMPA for clinical trials of our nonavalent HPV vaccine candidate in females.
2019	In January, we entered into a collaboration agreement with Chengda Biotechnology on the development, manufacture and commercialization of our 15-valent HPV vaccine candidate. In September, we initiated a phase I clinical trial of our nonavalent HPV vaccine candidate in females.
2020	In October, we initiated a phase III clinical trial of our trivalent HPV vaccine candidate in females. In November, we completed a private placement on the NEEQ, from which we raised proceeds of approximately RMB650.1 million. In December, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in females, and obtained an IND approval from the NMPA for clinical trials of our nonavalent HPV vaccine candidate in males.
2021	In February, we commenced the construction of our vaccine manufacturing facility in Kunming, Yunnan Province. In August, we completed a private placement on the NEEQ, from which we raised proceeds of approximately RMB1,015.5 million. In addition, we initiated a phase I clinical trial of our nonavalent HPV vaccine candidate in males.
2022	In March, we obtained an IND approval from the NMPA for clinical trials of our 15-valent HPV vaccine candidate. In December, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in males.

Year	Milestone
2023	Our A Shares were successfully listed on the Beijing Stock Exchange (stock code: 833575) in March. In June, we completed the repurchase of Dianzhong Likang, our manufacturing base. After obtaining an IND approval from the Indonesian BPOM in September, we officially launched a phase III clinical trial of our nonavalent HPV vaccine candidate in females in Indonesia in November, becoming the first Chinese vaccine developer to independently launch overseas phase III clinical trial of nonavalent HPV vaccine.

OUR INCORPORATION

Our Company was established in the PRC on April 14, 2008 as a limited liability company and was initially held by Dr. MA Runlin (馬潤林) ("**Dr. Ma**") and Mr. Liu as to 51% and 49%, respectively. The registered share capital of the Company was RMB2,000,000, of which RMB204,000 and RMB196,000 were paid up in cash from Dr. Ma's and Mr. Liu's personal funds. Dr. Chen contributed to our incorporation primarily with his technology support. Dr. Ma, Mr. Liu and Dr. Chen were friends in college and founded the Company with dedications to promote the R&D of HPV vaccines in China.

In June 2008, Mr. Liu, Dr. Chen and Dr. Ma intended to pay in full their remaining unpaid subscriptions with a patent jointly developed by them (the "**Patent**"). The appraisal value of the Patent was approximately RMB105.4 million as at June 16, 2008, based on a valuation report issued by an Independent Third Party valuer. On August 12, 2008, Mr. Liu agreed to transfer to Dr. Ma all of his unpaid subscriptions, amounting to RMB784,000 and representing 39.2% of the total issued and outstanding shares of the Company, at nil consideration, in order to facilitate the contributions of the Patent as paid-in capital. Considering Dr. Chen's contributions to the R&D and the future business development of our Company, and Mr. Liu's contributions to the Patent as well as the complicated and time-consuming administrative procedures to change the registered owners, Mr. Liu, Dr. Chen and Dr. Ma reached an agreement that through a shareholding entrustment arrangement (the "**Shareholding Entrustment Arrangement**"), the ownership, the Company and the paid-in capital in the form of the Patent were held by Dr. Ma, Dr. Chen and Mr. Liu as to 40%, 40% and 20%, respectively.

MAJOR CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS

1. Share capital increase and equity transfers in 2008

In October 2008, Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) ("**SCGC**") subscribed for RMB20 million newly issued registered capital of our Company at a nominal consideration in cash. Sirius Holding Group (previously known as Beijing Tianniu Investment Co., Ltd. (北京天牛投資有限公司)) subscribed for RMB46 million newly issued registered capital of our Company at a nominal consideration in cash. Dr. Ma contributed a

total of RMB33.6 million to the Company (including the previous RMB1.6 million unpaid subscriptions and RMB32 million additional subscriptions) in the form of the Patent. The remaining value of the Patent, representing RMB71.8 million, was contributed to the Company as capital reserve. Upon completion of the equity subscription and capital increase on October 21, 2008, the Company was held by Sirius Holding Group, SCGC, Dr. Ma and Mr. Liu as to 46.00%, 20.00%, 33.80% and 0.20%, respectively. The Shareholding Entrustment Arrangement remained unchanged.

2. Equity transfers between 2010 and 2011

In March 2010, due to a change in SCGC's investment strategy and plans, SCGC agreed to transfer its 3% and 2% equity interests of the Company to Dr. Ma and Sirius Holding Group, respectively. Such equity transfers were all at nil consideration because SCGC had not actually paid its subscriptions in full and the Company had not generated any profit at that time. Upon completion of such equity transfers on April 12, 2010, the Company was held by Sirius Holding Group, SCGC, Dr. Ma and Mr. Liu as to 48.00%, 15.00%, 36.80% and 0.20%, respectively. The then registered capital of our Company in the amount of RMB100 million was fully paid up by the then shareholders. The Shareholding Entrustment Arrangement remained unchanged.

In order to terminate the Shareholding Entrustment Arrangement and to streamline the Company's shareholding structure, Mr. Liu, Dr. Chen and Dr. Ma established Jianglin Weihua in November 2009. Dr. Ma and Mr. Liu transferred to Jianglin Weihua all their equity interests in the Company under two equity transfer agreements. The aforesaid equity transfers were at nominal considerations because the transfers were conducted to facilitate the termination of the Shareholding Entrustment Arrangement. Upon completion of the equity transfers on June 1, 2010, the Company was held by Sirius Holding Group, Jianglin Weihua and SCGC as to 48.00%, 37.00% and 15.00%. In January 2011, the Shareholding Entrustment Arrangement was terminated, and Jianglin Weihua became held by Dr. Chen, Dr. Ma and Mr. Liu as to 40%, 40% and 20%, respectively.

On December 5, 2011, Sirius Holding Group and XJ Biotechnology entered into an equity transfer agreement, pursuant to which Sirius Holding Group agreed to transfer to XJ Biotechnology all its equity interests in the Company at par value of RMB1 each Share. The equity transfer was at nominal consideration because the Company had not generated any profit at that time. XJ Biotechnology was established by Sirius Holding Group and Dr. Chen in October 2009, primarily focusing on the R&D of small molecule innovative drugs. As of the Latest Practicable Date, XJ Biotechnology was owned by Sirius Holding Group, Dr. Chen and ZHOU Taifeng (周太峰), an Independent Third Party, as to 82.91%, 9.09% and 8.00%, respectively, and is one of the Concert Parties (as defined below). Upon completion of the change of business registration on January 4, 2012, the Company was owned by XJ Biotechnology, Jianglin Weihua and SCGC as to 48.00%, 37.00% and 15.00%, respectively.

3. Conversion into a Joint Stock Company in May 2013

On May 14, 2013, our Company was converted into a joint stock company with a registered share capital of RMB30,000,000 and renamed as Beijing Health Guard Biotechnology Inc. The audited net assets of RMB30,312,663.92 of our Company as at January 31, 2013 were converted into 30,000,000 Shares of RMB1.00 per Share. The registered capital of the Company was reduced to RMB30 million with par value of RMB1 per Share. Immediately after completion of the conversion, the Company was held by XJ Biotechnology, Jianglin Weihua and SCGC as to 48.00%, 37.00% and 15.00%, respectively.

4. Increase in the share capital in March 2014

In January 2014, Sirius Holding Group intended to increase its investment in the vaccine industry. To support the Company's future development, Sirius Holding Group agreed to subscribe for RMB30 million newly issued registered capital of our Company at par value of RMB1 per Share, which was determined with reference to the then registered capital and R&D progress of our Company at that time. Upon completion of the aforementioned equity subscription on March 4, 2014, the Company was held by Sirius Holding Group, XJ Biotechnology, Jianglin Weihua and SCGC as to 50.00%, 24.00%, 18.50% and 7.50%, respetively.

5. Increase in the share capital in June 2015

On June 12, 2015, Beijing Baibai Ruiying Investment Management Center (Limited Partnership) (北京百柏瑞盈投資管理中心(有限合夥)) ("**Baibai Ruiying**") agreed to subscribe for 4,500,000 Shares of the Company at the consideration of RMB30 million, which was determined after arm's length negotiation and taking into consideration the Company's development status and business prospects. Upon completion of the aforementioned equity subscription on June 29, 2015, the Company was held by Sirius Holding Group, XJ Biotechnology, Jianglin Weihua, Baibai Ruiying and SCGC as to 46.51%, 22.33%, 17.20%, 6.98% and 6.98%, respectively. The registered capital of our Company was increased to RMB64.5 million and fully paid up. The remaining amount received from Baibai Ruiying was contributed to our capital reserves.

Baibai Ruiying is a limited liability partnership established in the PRC on January 16, 2014 and is an investment fund registered under the Asset Management Association of China (中國證券投資基金業協會) with an aggregate amount of assets under management of approximately RMB139.5 million. As of the Latest Practicable Date, Baibai Ruiying was managed and controlled by Beijing Hengjun Jiaye Investment Management Co., Ltd. (北京恆駿佳業投資管理有限公司) ("**Hengjun Jiaye**") as its general partner and fund manager, who held approximately 0.03% interest in Baibai Ruiying. Hengjun Jiaye is owned as to 97% by Mr. LI Qilin (李啟林), the father of Ms. LI Hui, our non-executive Director, and is thus a connected person of our Company. The limited partners of Baibai Ruiying were Beijing Chengjing Health Technology Co., Ltd. (北京橙淨健康科技有限公司) ("**Chengjing Health**"), Mr. WANG Zexue (王澤學) and five other individuals. Chengjing Health, holding approximately 8.33% interest

in Baibai Ruiying, is ultimately owned as to 51% by Ms. LI Hui and is thus a connected person of our Company. Mr. Wang, holding approximately 6.00% interest in Baibai Ruiying, is a Supervisor and the chairman of the Board of Supervisors, and is thus a connected person of our Company. Each of the five other individual limited partners is an Independent Third Party, who held the remaining 85.64% interests in Baibai Ruiying.

6. Quotation and listing on the NEEQ in September 2015

As approved by the NEEQ, on September 18, 2015, the Shares of our Company became quoted and listed on the NEEQ under the stock code of 833575.

7. First-round private placement on the NEEQ in 2019

On March 25, 2019, Beijing Yizhuang Biological Investment Center (Limited Partnership) (北京亦莊生物醫藥併購投資中心(有限合夥)) ("**Beijing Yizhuang**") and the Company entered into a share subscription agreement, pursuant to which Beijing Yizhuang agreed to subscribe for 5,500,000 Shares of the Company at a consideration of RMB50,710,000, which was determined after arm's length negotiation with reference to the market value of our Company. The first-round private placement was completed in June 2019.

Beijing Yizhuang is a limited liability partnership established in the PRC on November 16, 2015 and is an investment fund registered under the Asset Management Association of China with an aggregate amount of assets under management of approximately RMB800.0 million. Beijing Yizhuang primarily focuses on investment opportunities in next-generation biopharmaceutical companies, biomacromolecule technology, cell engineering technology and gene regulation. As of the Latest Practicable Date, Beijing Yizhuang was managed and controlled by Beijing E-town Sun Fund Management Co., Ltd. (北京屹唐賽盈基金管理有限公司) ("**E-town Sun**") as its general partner and fund manager, which is ultimately controlled by Dr. MA Biao (馬驫) and held approximately 1.25% interest in Beijing Yizhuang. Each of E-town Sun and Dr. Ma is an Independent Third Party. Each of the seven limited partners of Beijing Yizhuang was an Independent Third Party, which in aggregate held the remaining 98.75% interest in Beijing Yizhuang.

8. The issuance of Shares under the Restricted Share Incentive Plan in 2019

On November 4, 2019, our Company issued 6,000,000 additional Shares to 26 grantees, including two Directors, four management members and 20 core employees at the consideration of par value of RMB1 per Share under the Restricted Share Incentive Plan. Details of the Restricted Share Incentive Plan are set out in the section headed "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan" to this Document. Following completion of the offering, our registered share capital was increased to RMB76,000,000. The then registered capital of our Company was fully paid up by the then shareholders.

9. Second-round private placement on the NEEQ in 2020

In November 2020, our Company completed a second private placement of 33,000,000 Shares at RMB19.70 per Share, from which we raised proceeds of RMB650.1 million from 22 placees, including, among others (a) Kunming Yuanwang Health Industry Equity Investment Fund Partnership (Limited Partnership) (昆明遠望健康產業股權投資基金合夥企業(有限合夥)) ("**Yuanwang Fund**") and Fengde Medical Technology Co., Ltd. (豐德醫學科技有限公司) ("**Fengde Medical**"); and (b) Beijing Science Sun Pharmaceutical Co., Ltd. (北京賽升藥業股份有限公司) ("**Beijing Science Sun**"). The considerations were determined with reference to the market price per Share of the Company and in view of the Company's R&D progress. Following completion of the placement, our registered share capital was increased to RMB109 million.

Yuanwang Fund, an equity investment fund primarily focusing on investment in the healthcare and biopharmaceutical industries, is a limited liability partnership established in the PRC on November 27, 2017. Fengde Medical is a limited liability company established in the PRC on December 3, 2018. It primarily engages in medical R&D and technology advisory and is controlled by Yuanwang Fund. As of the Latest Practicable Date, Yuanwang Fund was managed by Hangzhou Founder Duce Investment Management Partnership (Limited Partnership) (杭州方正多策投資管理合夥企業(有限合夥)) ("**Hangzhou Duce**") as the fund manager, and controlled by Yuanhe Investment (Shanghai) Co., Ltd. (元核投資(上海)有限公司) ("**Yuanhe Investment**") as the general partner, which held 1% interest in Yuanwang Fund. The total investments made by Yuanwang Fund are controlled and ultimately approved its investment committee. Yuanwang Fund was held by Kunming Industry Development Investment Co., Ltd. (昆明產業開發投資有限責任公司) and Yunnan Chengtou Health Industry Investment Co., Ltd. (雲南城投健康產業投資有限公司) as to 51% and 48%, respectively, each a stated-owned company. Yuanhe Investment is owned as to 51% by Shanghai Jinghe Investment Management Partnership (Limited Partnership) (上海旌赫投資管理合夥企業(有限合夥)) ("**Shanghai Jinghe**"), and 49% by Mr. LIU Qingli (劉慶利), our non-executive Director. The general partner of Shanghai Jinghe is Hangzhou Duce, which is a professional investment fund manager. As of the Latest Practicable Date, Fengde Medical is owned as to 75% by Yuanwang Mingkun (Beijing) Technology Development Co., Ltd. (遠望明昆(北京)科技發展有限責任公司), a wholly-owned subsidiary of Yuanwang Fund, and 25% by Kunming State High-tech Industry Development Zone State-owned Assets Operation Co., Ltd. (昆明國家高新技術產業開發區國有資產經營有限公司), a state-owned company. Each of Yuanwang Fund, Fengde Medical and their ultimate beneficial owners were an Independent Third Party at the time of their investments.

Beijing Science Sun is a national high-tech biopharmaceutical company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300485). As of the Latest Practicable Date, Beijing Science Sun is ultimately controlled by Dr. MA Biao (馬驫). As such, each of Beijing Yizhuang and Beijing Science Sun is ultimately controlled by Dr. MA Biao, an Independent Third Party.

10. Third-round private placement on the NEEQ in 2021

In August 2021, our Company completed a third-round private placement of 24,600,000 Shares at RMB41.28 per Share, from which we raised proceeds of RMB1,015,488,000 from 17 placees, including, among others, (a) Jiangxi Jilin Xinsheng Enterprise Management Co., Ltd. (江西濟麟鑫盛企業管理有限公司) ("**Jilin Xinsheng**"); (b) Hainan Yunfeng Fund Center (Partnership) (海南雲鋒基金中心(有限合伙)) ("**Yunfeng Fund**") and Shanghai Chaocui Investment Center (Limited Partnership) (上海超萃投資中心(有限合伙)) ("**Shanghai Chaocui**"); (c) Shenzhen Qianhai Jiancheng Kaiyuan Enterprise Management Co., Ltd. (深圳前海建成開元企業管理有限公司) ("**Qianhai Jiancheng**"); and (d) Qingdao Yingke Value Venture Investment Partnership (Limited Partnership) (青島盈科價值創業投資合夥企業(有限合夥)) ("**Qingdao Yingke**") and Zibo Yingke Growth No. 3 Venture Investment Partnership (Limited Partnership) (淄博盈科成長三號創業投資合夥企業(有限合夥)) ("**Zibo Yingke**"). The considerations were determined with reference to the market price per Share of the Company and in view of the Company's R&D progress. Following completion of the private placement, our registered share capital was increased to RMB133.6 million.

Jilin Xinsheng, a limited liability company established in the PRC on July 2, 2020, is an investment company focusing on the pharmaceutical industry. As of the Latest Practicable Date, Jilin Xinsheng is wholly owned by Jiangxi JeminCare Pharmaceutical Industry Investment Co., Ltd. (江西濟民可信醫藥產業投資有限公司) ("**Jemincare Investment**"), which was in turn owned as to approximately 81.25% by LI Yihai (李義海) and 18.75% by LI Xin (李鑫), who also controlled Jiangxin Jemincare Group Co., Ltd. (江西濟民可信集團有限公司) ("**Jemincare Group**"). Jemincare Group, founded in 2000, is a leading healthcare-focused conglomerate in China with a focus on universal health. Its businesses cover the fields of medicine and health, clean energy, green mineral development and industrial investment. Each of Jinlin Xinsheng, Jemincare Investment and its ultimate beneficial owners is an Independent Third Party.

Yunfeng Fund and Shanghai Chaocui are private investment funds ultimately controlled by YU Xuedong (虞學東). Yunfeng Fund is a limited partnership established in the PRC on September 18, 2020, primarily focusing on investment in the emerging industries, including internet and new consumption, technology and business services, and healthcare. The general partner of Yunfeng Fund is Hainan Yunfeng Enterprise Management Center (Limited Partnership) (海南雲鋒企業管理中心(有限合夥)) ("**Yunfeng Center**"). Shanghai Chaocui is a limited partnership established in the PRC on June 12, 2020, primarily focusing on investment in the biotechnology industry. The general partner of Shanghai Chaocui is Shanghai Yunfeng Xinchuang Equity Investment Management Center (Limited Partnership) (上海雲鋒新創股權投資管理中心(有限合夥)) ("**Yunfeng Investment**"). The general partner of both Yunfeng Center and Yunfeng Investment is Shanghai Yunfeng Xinchuang Enterprise Management Co., Ltd. (上海雲鋒新創企業管理有限公司), a comprehensive investment management company, which is ultimately controlled by YU Xuedong (虞學東). Each of Yunfeng Fund, Yunfeng Center, Shanghai Chaocui, Yunfeng Investment and their ultimate beneficial owners is an Independent Third Party.

Qianhai Jiancheng is established in the PRC on August 8, 2017 with a registered capital of RMB1.004 billion. It is wholly owned by CCBI Investment Limited (建銀國際投資有限公司) ("**CCBI Investment**")), an investment holding company. CCBI Investment is ultimately controlled by China Construction Bank Corporation ("**CCB**"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 00939). Each of Qianhai Jiancheng and its ultimate beneficial owners is an Independent Third Party.

Qingdao Yingke and Zibo Yingke are limited partnerships controlled and managed by Yingke Venture Capital Management Co., Ltd. (盈科創新資產管理有限公司) ("**Yingke Capital**") as their general partner. Qingdao Yingke, established in the PRC on November 6, 2020, is owned by four limited partners as to 99% and Yingke Capital as to 1%. Zibo Yingke, established in the PRC on November 5, 2019, is owned by two limited partners as to approximately 99.63% and Yingke Capital as to 0.37%. Yingke Capital is a private fund management company established in the PRC on September 19, 2010. As of the Latest Practicable Date, Yingke Capital had over RMB48.45 billion of assets under management. Yingke Capital is owned as to approximately 35.65% by Qian Mingfei (錢明飛), and approximately 64.35% by other 16 shareholders, each of whom hold less than 10% interest in Yingke Capital. Each of Qingdao Yingke, Zibo Yingke and their ultimate beneficial owners is an Independent Third Party.

11. A Shares offering and listing on the Beijing Stock Exchange in March 2023

As approved by the CSRC, our A Shares were listed on the Beijing Stock Exchange under the stock code of 833575 on March 15, 2023. CITIC Securities Company Limited (中信證券股份有限公司), the holding company of CITIC Securities (Hong Kong) Limited, one of our Joint Sponsors, acted as the sponsor of our A Shares offering and continues to act as the post-listing supervisor in accordance with the regulatory requirements imposed by the CSRC. Upon completion of the A Shares offering, our registered share capital was increased to RMB140.6 million. The shareholding structure of our Company immediately upon the completion of the A Shares offering was as follows:

Name of the Shareholders	Number of A Shares held	Percentage of shareholding
		(%)
Top ten A Shareholders		
Sirius Holding Group	30,218,000	21.49
Jianglin Weihua	11,100,000	7.89
Yunnan Dianzhong Industrial Development Group Co., Ltd. (雲南省滇中產業發展集團有限責任公司) ("**Dianzhong Group**")	5,076,142	3.61
Jilin Xinsheng	4,844,961	3.45
Baibai Ruiying	4,456,000	3.17
Yunfeng Fund	3,633,721	2.58
Qianhai Jiancheng	3,633,720	2.58
Beijing Yizhuang	3,000,000	2.13
Yuanwang Fund	2,538,070	1.81
SCGC	2,250,000	1.61
Subtotal	**70,750,614**	**50.32**
Other A Shareholders	69,849,386	49.68
Total	**140,600,000**	**100.00**

12. Subsequent capital changes in 2023

In May 2023, the Company implemented a share increase by converting capital reserve into new Shares. The conversion of capital reserve was implemented by way of issuance of ten bonus Shares for every ten existing Shares. An aggregate of 140,600,000 A Shares were issued. Upon completion of the conversion, our registered share capital from RMB140,600,000 to RMB281,200,000.

On June 29, 2023, our Shareholders approved the repurchase and cancellation of 260,000 Restricted A Shares granted to two former employees, who had resigned from our Company and were thus no longer eligible participants under the Restricted Share Incentive Plan. Upon completion of such repurchase and cancellation, our registered share capital was decreased to RMB280,940,000.

The shareholding structure of our Company as of the Latest Practicable Date was as follows:

Name of the Shareholders	Number of A Shares held	Percentage of shareholding
		(%)
Top ten A Shareholders		
Sirius Holding Group[(1)]	62,944,000	22.40
Jianglin Weihua	22,200,000	7.90
Jilin Xinsheng	9,689,922	3.45
Baibai Ruiying	8,912,000	3.17
ZHANG Ansheng (張安生)[(2)]	7,610,000	2.71
Yunfeng Fund	7,267,442	2.59
Qianhai Jiancheng	7,267,440	2.59
Yunnan Huigang Investment Co., Ltd. (雲南慧港投資有限公司) ("**Huigang Investment**")[(3)]	5,076,142	1.81
Yunnan Dianzhong Hengsheng Investment Co., Ltd. (雲南滇中恆昇投資有限公司) ("**Dianzhong Hengsheng**")[(3)]	5,076,142	1.81
Yuanwang Fund	5,076,140	1.81
Subtotal	**141,119,228**	**50.23**
Other A Shareholders	139,820,772	49.77
Total	**280,940,000**	**100.00**

Notes:

(1) From March 29, 2023 to June 28, 2023, Sirius Holding Group acquired additional 2,508,000 Shares (taking into account the share increase) through public market, which was to facilitate the Company's price stabilization plan after the listing of its A Shares on the Beijing Stock Exchange.

(2) An Independent Third Party.

(3) As of the Latest Practicable Date, the Administration Committee of Yunnan Dianzhong New Area (雲南滇中新區管理委員會) ("**Dianzhong Administration Committee**") controlled a number of state-owned enterprises to conduct investments, including Dianzhong Group, Dianzhong Hengsheng and Huigang Investment. Each of Dianzhong Hengsheng, Dianzhong Group and Huigang Investment is a wholly state-owned investment platform established in the PRC and is ultimately controlled by Dianzhong Administration Committee. Dianzhong Administration Committee, a subordinate institution under Yunnan Provincial Party Committee (雲南省委) and the Yunnan Provincial Government (雲南省政府), is primarily responsible for the development and management of investments in Yunnan Dianzhong New Area (雲南滇中新區). Upon conversion of capital reserve into the share capital of our Company in May 2023, the A Shares held by Dianzhong Group was increased from 5,076,142 A Shares to 10,152,284 A Shares. In June 2023, Dianzhong Group transferred 5,076,142 A Shares held by it to Dianzhong Hengsheng. In January 2024, Dianzhong Group transferred 5,076,142 A Shares held by it to Huigang Investment due to administrative transfer. As of the Latest Practicable Date, each of Huigang Investment and Dianzhong Hengsheng held 5,076,142 A Shares, representing 1.81% of the total outstanding and issued Shares of the Company.

Our PRC Legal Advisor has confirmed that the above-mentioned equity transfers, capital increases, joint-stock reform, issue and allotment and repurchase of Shares in the PRC and our initial public offering and listing of the A Shares have been properly and legally completed in all material aspects and all material requisite regulatory approvals have been obtained in accordance with the applicable PRC laws and regulations, and we have been operating in compliance with the relevant listing rules of the Beijing Stock Exchange since the A Share Offering. Since the listing of our A Shares on the Beijing Stock Exchange and up to the Latest Practicable Date, we had not received any notification from the Beijing Stock Exchange indicating that we were involved in any material non-compliance issues. Our Directors considered that there are no material matters in relation to our compliance record that should be brought to our [**REDACTED**]' attention. Based on their independent due diligence, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the Directors' views.

RESTRICTED SHARE INCENTIVE PLAN

As approved and adopted by our general meeting of the Company on September 10, 2019, the Company adopted the Restricted Share Incentive Plan and granted a total of 6,000,000 Restricted A Shares to eligible participants. For details, please refer to the sections headed "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan" to this Document.

REPURCHASE OF DIANZHONG LIKANG

In June 2020, our Company, Dianzhong Administration Committee, Hangzhou Duce and Sirius Holding Group entered into a series of investment agreement and customized construction agreement as well as supplemental agreements for constructing a recombinant vaccine clinical and industrialization base in Yunnan Dianzhong New Area (the "**Construction Project**"). To implement the Construction Project, Dianzhong Likang was established on October 21, 2020 by Dianzhong Hengsheng and the Company as to 99% and 1%, respectively. In order to maintain effective control over the assets registered in the name of Dianzhong Likang under the Construction Project, as well as to facilitate the smooth development of the Construction Project, the Company decided to exercise its right of repurchase for all remaining 99% equity interest in Dianzhong Likang, as reserved in the investment agreement. On May 16, 2023, Health Guard Kunming repurchased 99% equity interest in Dianzhong Likang from Dianzhong Hengsheng through public bidding with a consideration of RMB62,587,600 (including transaction fees), plus all outstanding liabilities payable by Dianzhong Likang amounting to RMB101,710,600 in total. The repurchase was completed on June 6, 2023. As confirmed by our PRC Legal Advisor, the repurchase has been properly and legally completed and settled, and all applicable regulatory approvals have been obtained. Dianzhong Likang has been assessed as one of the subsidiaries of the Group since its establishment on October 21, 2020 and its financial statements have been consolidated by the Group since then. Therefore, the repurchase does not fall within the scope of Rule 4.05A of the Listing Rules. For details, please refer to note 3 to the Accountants' Report as set out in Appendix I to this Document.

MAJOR ACQUISITION AND DISPOSAL

During the Track Record Period and up to the Latest Practicable Date, saved as disclosed in this Document, we did not conduct any acquisition, merger or disposal that we consider material to our business.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we have two subsidiaries, detailed information of which are set out below:

Name of subsidiaries	Place of establishment	Date of establishment	Registered share capital	Shareholding	Principal activities
Health Guard Kunming	PRC	June 8, 2020	RMB454,500,000	Wholly owned by the Company	Production and sales of vaccines in the future
Dianzhong Likang	PRC	October 21, 2020	RMB50,000,000	99% owned by Health Guard Kunming and 1% owned by the Company	Construction of our commercial production plant

Detailed information of our above subsidiaries are also included in the note 1 to the Accountants' Report as set out in Appendix I to this Document.

CONCERT AGREEMENTS

Pursuant to an irrevocable concert agreement (the "**Concert Agreement**") dated April 16, 2021 and a supplemental agreement dated July 29, 2021, Mr. TAO Tao (陶濤) ("**Mr. Tao**"), our non-executive Director and the controlling shareholder of Sirius Holding Group, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua (the "**Concert Parties**") agreed to act in concert with each other and vote in agreement with Mr. Tao at general meetings of our Company, an arrangement that will expire if and when only one of the aforesaid parties holds our Shares. As such, Mr. Tao, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua are collectively entitled to exercise 30.60% of the voting power at our Company's general meetings as of the Latest Practicable Date, and are expected to collectively exercise [**REDACTED**]% of the voting power at our Company's general meetings immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Accordingly, Mr. TAO, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua, will remain our Controlling Shareholders collectively as at the date of this Document, and will remain our single largest group of shareholders upon completion of the [**REDACTED**].

For details of the Concert Agreement and our relationship with our Controlling Shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this Document.

PUBLIC FLOAT

Upon [**REDACTED**], to the best knowledge of the Company, the A Shares held by Sirius Holding Group, Jianglin Weihua, Yuanwang Fund, Mr. HAO Chunli (郝春利), Mr. Liu, XJ Biotechnology, and Chengjing Health will not be counted towards the public float. Except as stated above, all the A Shares and H Shares held by other Shareholders upon [**REDACTED**] will be counted towards the public float for the purpose of Rules 8.08, 18A.07 or 19A.13A of the Listing Rules.

To the best knowledge and belief of our Directors and on the basis of the current shareholding structure, none of the other A Shareholders or H Shareholders is expected to be our core connected person, and the A Shares held by them, amounting to approximately [**REDACTED**]% of our total issued share capital immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), are expected to be counted towards the public float upon the [**REDACTED**].

Assuming the [**REDACTED**] are allotted and issued to public Shareholders, over [**REDACTED**]% of our Company's total issued Shares with a [**REDACTED**] of substantially over HK$[**REDACTED**] will be held by the public upon completion of the [**REDACTED**] in accordance with Rules 8.08, 18A.07 or 19A.13A of the Listing Rules.

SOPHISTICATED INVESTOR

Since the establishment of our Company, we have received several rounds of financings from our financial investors, including certain Sophisticated Investors, namely, (i) Yunfeng Fund and Shanghai Chaocui, (ii) Jilin Xinsheng, (iii) Qianhai Jiancheng, (iv) Yuanwang Fund and Fengde Medical, (v) Beijing Yizhuang and Beijing Science Sun, and (vi) Qingdao Yingke and Zibo Yingke, which held 9,689,924, 9,689,922, 7,267,440, 7,106,596, 5,930,709 and 4,844,960 A Shares, respectively, representing approximately 15.85% in aggregate of the total outstanding and issued Shares of the Company as of the Latest Practicable Date. Each of the Sophisticated Investors has made meaningful investment in our Company at least six months before the [**REDACTED**].

In addition, our A Shares are currently listed on Beijing Stock Exchange. Since the date our Shares were quoted on the NEEQ in September 2015 and listed on the Beijing Stock Exchange in March 2023, our Company have received multiple third-party investments from the public, including a number of professional investors, which indicates a wide degree of market acceptance of our Company.

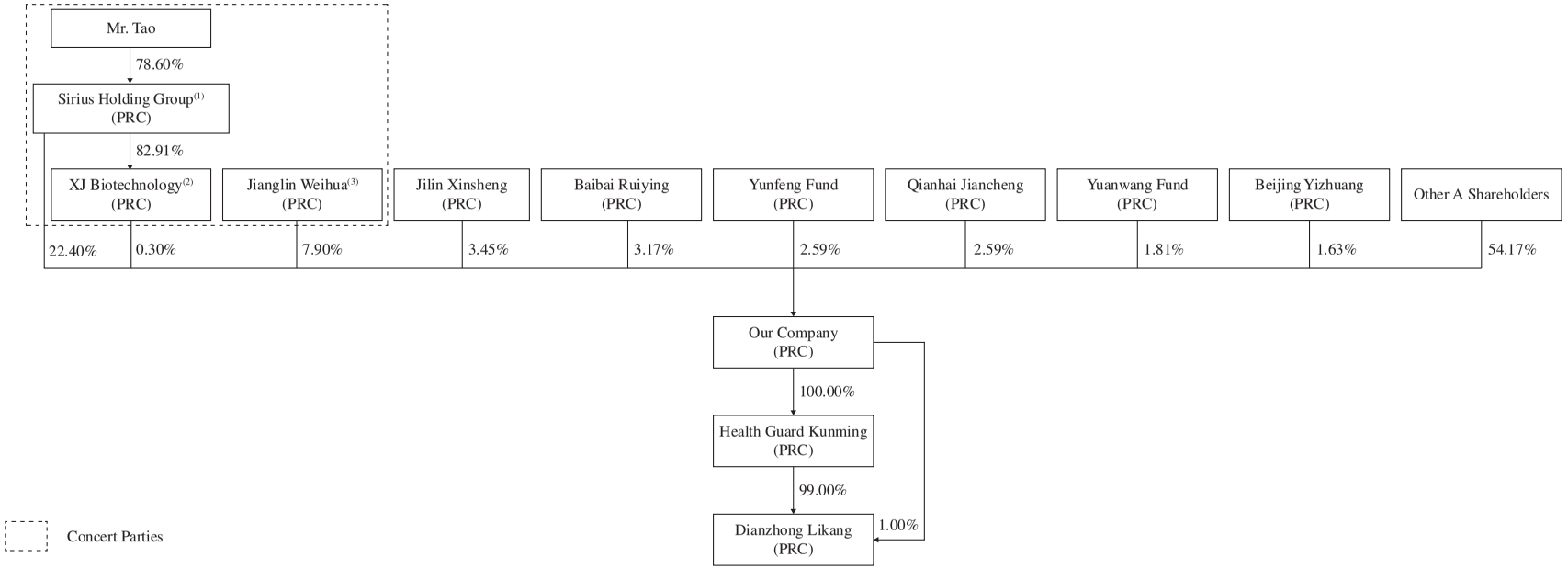
REASON FOR THE [REDACTED]

Our Directors are of the view that the [**REDACTED**] on the Stock Exchange will be in the interest of our Group's business development, and would be beneficial to us and the Shareholders as the [**REDACTED**] will provide an additional fund raising platform for our Company, which allows us to raise the capital required to finance among others, (i) our R&D and commercialization of our Core Products; (ii) our R&D of our pre-clinical vaccine candidates; (iii) construction of our R&D facilities; (iv) potential investment, acquisition, in-licensing, joint venture and other collaboration opportunities; and (v) the repayment of the existing loans, more details of which are set out in the section headed "Future Plans and [**REDACTED**]" in this Document.

The [**REDACTED**] on the Stock Exchange will further enhance our profile with an international presence. Hong Kong is a gateway between the PRC and the international market, [**REDACTED**] on the Stock Exchange would give us a platform to be widely approached by international [**REDACTED**] in the global market while we could still maintain our business operations in the PRC. We could further raise our brand awareness, broaden the financing channels in the capital market to support our increasing financing needs for our further business expansion and strengthen the corporate governance of our Group should the H Shares be [**REDACTED**] on the Stock Exchange, which is regarded as a competitive and well-established exchange with an established reputation as one of the leading stock exchanges globally.

CORPORATE STRUCTURE PRIOR TO THE [REDACTED]

The following chart sets forth our shareholding structure and subsidiaries immediately prior to the [**REDACTED**]:



Notes:

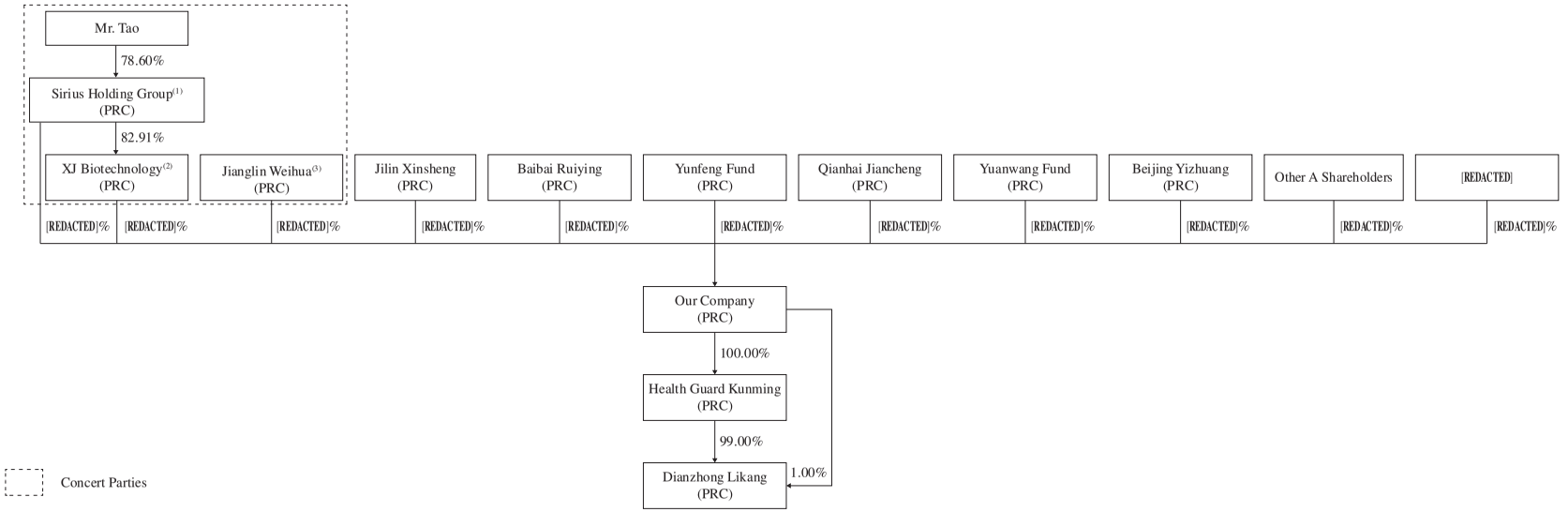
(1) Sirius Holding Group was established on July 1, 2008. As of the Latest Practicable Date, Sirius Holding Group was controlled by Mr. Tao as to 78.60%. The remaining shareholders of Sirius Holding Group included Mr. TAO Ran (陶然), Mr. HAO Chunli (郝春利), ZHAO Dichao (趙第超), WU Zhaofeng (吳趙峰), YANG Shizhuo (楊世茁) and ZHANG Jing (張靜), who held interests in Sirius Holding Group as to 8.40%, 3.00%, 3.00%, 2.50%, 2.50% and 2.00%, respectively. Except that (i) Mr. TAO Ran (陶然) is our executive Director and chief executive officer, (ii) Mr. HAO Chunli (郝春利) is our executive Director, vice chairman of the Board and chief operating officer, (iii) ZHANG Jing (張靜) is the spouse of Ms. DONG Wei (董微), our chief financial officer, and (iv) ZHAO Dichao (趙第超) is our employee, each of the remaining minority shareholders of Sirius Holding Group is an Independent Third Party.

(2) As of the Latest Practicable Date, XJ Biotechnology was owned by Sirius Holding Group, Dr. Chen and ZHOU Taifeng (周太峰), an Independent Third Party as to 82.91%, 9.09% and 8.00%, respectively, and is one of the Concert Parties (as defined below).

(3) Jianglin Weihua was established on November 18, 2009 in order to terminate the Shareholding Entrustment Arrangement and to streamline the Company's shareholding structure. As of the Latest Practicable Date, Jianglin Weihua was held by Mr. Liu, Dr. Chen, Dr. Ma, Yao Miansong (姚綿嵩) and XJ Biotechnology as to 35.49%, 43.88%, 9.40%, 5.61% and 5.61%, respectively. Yao Miansong is the general manager of Dianzhong Likang.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE [REDACTED]

The following chart sets forth our shareholding structure and subsidiaries immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



See Notes (1) to (3) of the corporate structure under the section headed "– Corporate Structure Prior to the [**REDACTED**]."

OVERVIEW

We are a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, on the path to becoming a biopharma company. Our three-asset HPV vaccine franchise presents high commercial visibility and is leading the industry to address the needs of different underserved populations. Our near-commercial trivalent HPV vaccine candidate, a Core Product, is uniquely designed to protect females in East Asia, with a BLA expected to be filed in China by the end of 2024. Our phase III stage nonavalent HPV vaccine candidate, another Core Product, is expected to be one of the first homegrown nonavalent HPV vaccines approved for use in females, with a planned BLA filing in China in 2025, and the first homegrown nonavalent HPV vaccine candidate to have commenced pivotal efficacy trial in males in China. We are also actively developing our nonavalent HPV vaccine candidate overseas, with a phase III clinical trial ongoing in Indonesia in females, and a BLA expected to be filed with the Indonesian BPOM in 2025. Our phase I-ready 15-valent HPV vaccine candidate is of the highest-valency among all HPV vaccines worldwide that are commercially available or have obtained IND approval. We are also developing six pre-clinical vaccine candidates that target disease areas with unmet medical needs or necessitating vaccine upgrades.

The following table summarizes our vaccine pipeline and their respective development stage as of the Latest Practicable Date.

Category	Disease/Virus	Vaccine candidate		Discovery	Pre-clinical	Phase I	Phase II	Phase III	Upcoming milestone
Recombinant vaccine	HPV	Trivalent HPV Vaccine ★						China	BLA to be submitted in 2024
		Nonavalent HPV Vaccine ★	Female Indication[1]					China	BLA to be submitted in 2025
								Indonesia	BLA to be submitted in 2025
			Male Indication[2]					China	BLA to be submitted in 2027
		15-Valent HPV Vaccine[3]				China			Phase I to be initiated in 2024
	RSV	Bivalent RSV Vaccine							IND to be submitted in 2024
	VZV	Herpes Zoster Vaccine							IND to be submitted in 2024
	Norovirus	Heptavalent Norovirus Vaccine							IND to be submitted in 2025
	HFMD	Quadrivalent HFMD Vaccine							IND to be submitted after 2025
	Polio	Polio Vaccine							IND to be submitted after 2025
mRNA vaccine	HPV	Bivalent Therapeutic HPV Vaccine							IND to be submitted in 2025

★ **Core Product**

HPV = human papillomavirus; RSV = respiratory syncytial virus; VZV = varicella zoster virus; HFMD = hand, foot and mouth disease

Notes:

1. Per the CTA approval from the Indonesian BPOM, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate directly without having to conduct phase I & II clinical trials in Indonesia.

2. Per the IND approval from the NMPA, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in males after completing a phase I clinical trial in males in China.

3. We and Chengda Biotechnology are collaborating on the development of a 15-valent HPV vaccine candidate. For details, see "– Our Collaboration Agreement."

HPV vaccine is one of the most effective vaccines in the world. Being the bestselling vaccine product in China and globally in 2022, according to Frost & Sullivan, HPV vaccine is among the most commercially-successful vaccines in the world. Vaccination is the recommended prevention strategy for HPV, which is a main cause of many cancers, including cervical cancer. The WHO recommends that, by 2030, 90% of females complete HPV vaccination before the age of 15. In addition, many governments worldwide are raising awareness about disease risks associated with HPV in male populations. As of 2022, 47 countries have introduced HPV vaccine in their national immunization program for boys. Furthermore, primarily due to supply shortage and varying immunization awareness, HPV vaccination rate is uneven across the world, higher in females aged below 15 in developed countries, such as 86% and 69% in Canada and United States, and relatively lower in females aged below 15 in developing countries, such as 6% in Indonesia.

To address the needs of different population segments with varying abilities to pay and needs for protection against HPV-associated diseases, we have built an HPV vaccine franchise comprising three candidates that are produced using *E. coli* expression system and leverage our strengths in antigen modifications:

- ***Near-commercial trivalent HPV vaccine candidate.*** Our trivalent HPV vaccine candidate is designed to protect females in East Asia, where HPV types 16, 18 and 58 are the three most prevalent HPV types detected in cervical cancer cases. As such, our trivalent HPV vaccine candidate can increase the protection against cervical cancer from 70% as provided by the licensed bivalent and quadrivalent HPV vaccines to 78% for women in East Asia. With a favorable safety and immunogenicity profile demonstrated in phase I and II clinical trials, our trivalent HPV vaccine candidate is under a phase III clinical trial in females, with follow-up visits of subjects completed for 30 months post the first dose. We are in the process of carrying out the follow-up visits for 36 months post the first dose and expect to submit a BLA application for our trivalent HPV vaccine candidate by the end of 2024.

- ***Phase III stage nonavalent HPV vaccine candidate.*** Our nonavalent HPV vaccine candidate is expected to be one of the first homegrown nonavalent HPV vaccines licensed for use in females. In addition, we are the first Chinese vaccine developer to have commenced a pivotal efficacy trial of nonavalent HPV vaccine candidate in males in China. We are also expanding into international markets, with a phase III clinical trial ongoing in Indonesia. Based on the *Technical Guideline for Clinical Trials of Human Papillomavirus Vaccine (Trial version)* ("**HPV Vaccine Guideline**") published by the CDE in July 2023, our nonavalent HPV vaccine candidate is potentially eligible for the accelerated approval pathway. We plan to rapidly advance the ongoing clinical trials and expect to file a BLA for our nonavalent HPV vaccine candidate for use in females in both China and Indonesia in 2025.

- ***Phase I-ready 15-valent HPV vaccine candidate.*** We and Chengda Biotechnology have obtained IND approval for our 15-valent HPV vaccine candidate in China, which is of the highest-valency among all the HPV vaccines worldwide that are commercially available or have obtained IND approval as of the Latest Practicable Date. By covering all high-risk HPV types identified by the IARC, our 15-valent HPV vaccine candidate can potentially increase protection against cervical cancer to above 96%. In immunogenicity studies in mice, our vaccine candidate elicited strong immune responses against each vaccine HPV type. We are collaborating with Chengda Biotechnology on the development, manufacturing and commercialization of the 15-valent HPV vaccine candidate. We have the clinical samples of the 15-valent HPV vaccine candidate ready for phase I and phase II trials. Pursuant to the 15-valent HPV Vaccine Co-development Agreement, Chengda Biotechnology is expected to initiate a phase I clinical trial in 2024.

We have built four technology platforms for the R&D of recombinant protein vaccines over the years. Our structure-based antigen design platform leverages protein structure information to design vaccine candidates with optimal physicochemical properties, biological activity and efficacy. Our advanced genetic engineering and protein expression platform affords us the chance to leverage well-established expression systems, such as *E.coli*, yeast and CHO cells, in the development of recombinant vaccine candidates. The potency evaluation platform we developed features a number of methods to evaluate the immunogenicity profile of our vaccine candidates. Our vaccine engineering platform facilitates the pilot-scale manufacturing process development for our vaccine candidates in anticipation of product approvals. In addition to these platforms for R&D of recombinant protein vaccines, we have also established an mRNA platform and plan to explore opportunities in relation to mRNA-based vaccines and therapeutics.

Currently, we have built an EU and China GMP-compliant pilot manufacturing plant with a GFA of over 3,000 sq.m in Beijing, which is equipped with a full suite of manufacturing, quality control and formulation equipment and facilities. In anticipation of market demand for our HPV vaccines, we are also investing in a new manufacturing facility in Kunming to support commercial production in the future. The Kunming facility is designed to have an annual manufacturing capacity of 10 million doses of trivalent HPV vaccine plus 30 million doses of nonavalent HPV vaccine, and comply with world-class quality standards, including the GMP requirements of China, the EU and the WHO. We plan to apply for a drug manufacturing license for the manufacturing facility in Kunming in the second half of 2024, to ensure that we can commence commercial production upon obtaining BLA approval.

COMPETITIVE STRENGTHS

The most comprehensive clinical-stage HPV vaccine franchise globally to address vast unmet needs across all population and market segments.

We are a pioneer in HPV vaccine development in China, with the most comprehensive clinical-stage HPV vaccine franchise globally. HPV vaccine is one of the most effective vaccines in the world. Being the bestselling vaccine product in China and globally in 2022, according to Frost & Sullivan, HPV vaccine is among the most commercially-successful vaccines in the world. Vaccination is the recommended prevention strategy for HPV, which is a main cause of many cancers, including cervical cancer. In the *Global Strategy to Accelerate the Elimination of Cervical Cancer as a Public Health Problem* published in 2020, the WHO recommended that, by 2030, 90% of females should complete HPV vaccination before the age of 15. In addition, many governments worldwide have launched education campaigns to raise public awareness about disease risks associated with HPV in male populations. As of 2022, 47 countries have introduced HPV vaccines in their national immunization program for boys.

Primarily due to supply shortage and varying immunization awareness, HPV vaccination rate is uneven across the world, higher in females aged below 15 in developed countries, such as 86% and 69% in Canada and United States, and lower in females aged below 15 in developing countries, such as 6% in Indonesia. China's HPV vaccine market is also significantly underserved due to limited supply of HPV vaccines. As of the end of 2022, only approximately 29.2 million females aged between 9 to 45 in China were fully vaccinated against HPV, which translates to a low vaccination rate for females aged between 9 to 45 of 9.36%. There is a dire need for more HPV vaccines in these countries to meet immunization demand. With multiple homegrown HPV vaccine candidates reaching phase III efficacy trials in China, domestic HPV vaccine developers may become a major supply source to meet global demand.

Leveraging the research findings of our scientific advisory board member, Dr. Chen Xiaojiang, who was the first to report the small HPV L1-VLP structure, we have focused our research efforts on the engineering and expression of HPV L1 proteins and developing patented technologies to produce high purity L1 pentamers. These technologies serve as the basis for the discovery and development of our HPV vaccine candidates. In particular, we are one of the only two clinical-stage vaccine developers worldwide that use *E. coli* expression system for HPV vaccine production, which features a well-established, easily scalable and cost-effective manufacturing process that produces high quality vaccines in a consistent manner. Moreover, we made significant breakthroughs in antigen modifications based on the analysis of HPV VLP structure and primary sequences of L1 proteins, including by making truncations to the C- and N-terminal of L1 proteins to obtain homogeneous L1 pentamers with increased yield. These efforts have enabled us to increase the soluble expression of L1 pentamers and improve the stability of HPV VLPs assembled therefrom.

We have built an HPV vaccine franchise that is the most comprehensive globally, comprising three clinical-stage assets that are designed to target different population segments with varying abilities to pay and needs for protection against HPV-associated diseases.

Near-commercial Trivalent HPV Vaccine Candidate – Our Core Product

Our trivalent HPV vaccine candidate is a near-commercial stage vaccine candidate designed to protect females in East Asia, where HPV types 16, 18 and 58 are prevalent. As such, our trivalent HPV vaccine candidate can increase protection against cervical cancer from 70% as provided by the licensed bivalent and quadrivalent HPV vaccines to 78% for females in East Asia, making it highly competitive. In view of the current status and designs of clinical trials of homegrown HPV vaccine candidates, our trivalent HPV vaccine candidate has the potential to reach the market ahead of most higher-valency competitors.

- ***Broader protection against cervical cancer in East Asia compared to the approved bivalent or quadrivalent HPV vaccines.*** In addition to HPV types 16 and 18 covered by the approved bivalent and quadrivalent HPV vaccines, our trivalent HPV vaccine candidate also targets HPV type 58. Studies have indicated that HPV type 58 is the third most prevalent HPV type detected in cervical cancer in East Asia. By covering this type, our trivalent HPV vaccine candidate will offer protection against 78% of cervical cancer cases in East Asia, second only to the approved nonavalent HPV vaccine at 90% and broader than the licensed bivalent and quadrivalent HPV vaccines at 70%.

- ***Approaching commercialization.*** We expect to submit a BLA application for our trivalent HPV vaccine candidate by the end of 2024. As of the Latest Practicable Date, our trivalent HPV vaccine candidate is in a phase III clinical trial in females, with follow-up visits of subjects completed for 30 months post the first dose. We are in the process of carrying out the follow-up visits for 36 months post the first dose. We believe that our clinical development strategy will differentiate our vaccine candidate from those of our competitors and enable us to capture significant market share.

- ***Promising immunogenicity and safety profile.*** Our trivalent vaccine candidate demonstrated a favorable safety and immunogenicity profile in phase I and II clinical trials. There were no statistical differences in incidences of AEs and serious AEs between vaccine groups and the placebo group. All three doses of our trivalent HPV vaccine candidate tested in the phase II trial elicited significantly higher immune responses against all vaccine HPV types as compared to the placebo, with no statistical differences detected in GMTs among the vaccine groups.

Phase III Stage Nonavalent HPV Vaccine Candidate – Our Core Product

Our nonavalent HPV vaccine candidate is expected to be one of the first homegrown nonavalent HPV vaccines licensed for use in females. In addition, we are also the first Chinese vaccine developer to have commenced a pivotal efficacy trial of nonavalent HPV vaccine in males in China in hopes of addressing the need for HPV vaccination in males. We are also expanding into international markets with a phase III clinical trial ongoing in Indonesia. We plan to rapidly advance the ongoing clinical trials of our nonavalent HPV vaccine candidate, and expect to file a BLA for use in females in both China and Indonesia in 2025.

- ***Reduced time to market with policy support.*** The CDE published the HPV Vaccine Guideline in July 2023. Pursuant to this guideline, if a vaccine company's first-generation HPV vaccine achieves success in phase III efficacy trial with disease endpoints as the primary endpoint, the company's next-generation HPV vaccine candidate may be entitled to accelerated approval using efficacy data against virological endpoints. This will greatly shorten the time to market for the next-generation HPV vaccine candidate as it normally takes years longer to accumulate the prescribed number of disease endpoint cases compared to virological endpoint cases. Since the phase III clinical trial of our trivalent HPV vaccine candidate used disease endpoints, CIN2+ included, as the primary endpoint, our nonavalent HPV vaccine candidate as the next-generation product is potentially eligible for the accelerated approval pathway under the HPV Vaccine Guideline.

- ***Broader indication coverage.*** As of the Latest Practicable Date, there is no HPV vaccine approved for use in males in China. Considering the importance of preventing HPV infections in males and the market need arising therefrom, we initiated a clinical development program for our nonavalent HPV vaccine candidate in males and is the first and only domestic vaccine developer to launch a phase III efficacy trial with nonavalent HPV vaccine candidate in males, according to Frost & Sullivan. Therefore, we believe we are well-positioned to capture a significant market share of this white space opportunity.

- ***Expansion into overseas market.*** We initiated a phase III clinical trial with our nonavalent HPV vaccine candidate in females in Indonesia in November 2023, with the aim of expanding the market opportunities for our vaccine candidate in selected countries. As of the Latest Practicable Date, we have completed enrollment and first dosing of subjects in our phase III clinical trial in Indonesia. We expect to file a BLA for our nonavalent HPV vaccine candidate for use in females in Indonesia in 2025.

- ***A safety and immunogenicity profile comparable to that of Gardasil9.*** Our nonavalent HPV vaccine candidate has demonstrated a comparable safety and immunogenicity profile versus Gardasil9 in a head-to-head phase I study. Moreover, in an immuno-bridging study, our vaccine candidate induced non-inferior neutralizing antibody responses against all vaccine HPV types as compared to Gardasil9.

Phase I-ready 15-valent HPV Vaccine Candidate

We and Chengda Biotechnology are collaborating on the development of a 15-valent HPV vaccine candidate and have obtained IND approval in China, which is of the highest-valency among all HPV vaccines worldwide that are commercially available or have obtained IND approval as of the Latest Practicable Date. By covering all high-risk HPV types identified by the IARC, our 15-valent HPV vaccine candidate can potentially increase protection against cervical cancer to above 96%. Leveraging our structure-based antigen design platform, we have constructed antigens of all 15 HPV types and achieved successful expression of them in *E. coli*. In immunogenicity studies in mice, our vaccine candidate elicited strong immune responses against each vaccine HPV type. We have the clinical samples of the 15-valent HPV vaccine candidate ready for phase I and phase II trials. Pursuant to the 15-valent HPV Vaccine Co-development Agreement, Chengda Biotechnology is expected to initiate a phase I clinical trial in 2024.

Diversified vaccine pipeline with broad disease coverage.

We have accumulated foundational technologies and know-how in the field of vaccine development over the years, which have enabled us to build a robust vaccine pipeline. In addition to our HPV vaccine franchise, we are also developing six other vaccine candidates that target disease areas with unmet medical needs or necessitating vaccine upgrade.

- ***RSV vaccine candidate.*** Currently, there are only two RSV vaccines approved globally, both of which have not been approved in China as of the Latest Practicable Date. RSV infection is one of the leading causes of death in children aged 1 month to 1 year, second only to malaria. For the elderly, RSV infection often leads to worsening obstructive pulmonary disease with cardiopulmonary complications. We are developing an RSV vaccine candidate that is designed based on the RSV fusion (F) glycoprotein. We have established cell banks to be used for production of our RSV vaccine candidate, finished process development for cell culture and purification. In preliminary immunogenicity studies in mice, our RSV vaccine candidate generated high titers of neutralizing antibodies against recombinant RSV.

- ***Herpes zoster vaccine candidate.*** Currently, there is only one recombinant herpes zoster vaccine licensed globally, which achieved approximately US$3.2 billion in sales in 2022. Our herpes zoster vaccine candidate is designed by the use of the glycoprotein E (gE) of varicella-zoster virus and formulated with a novel adjuvant, which was shown to be able to elicit cellular and humoral responses comparable to those induced by a licensed herpes zoster vaccine in mice studies.

- ***Heptavalent norovirus vaccine candidate.*** Globally, there is no vaccine approved for the prevention of norovirus infection, a highly contagious and prevalent disease that can cause acute onset of diarrhea and vomiting especially in children, the elderly and immunodeficient individuals. There are approximately 685 million cases of norovirus infection each year, resulting in a large annual healthcare burden of approximately US$4.2 billion worldwide. We are developing a heptavalent norovirus vaccine candidate that is designed to protect against norovirus types GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17, which, compared to the highest-valency norovirus vaccine candidate currently under clinical development, can further enhance protection against norovirus-induced acute gastroenteritis. We have completed the construction of genetically-engineered cell banks to be used for production of the heptavalent norovirus vaccine candidate, and finished small-scale process development for cell culture and purification. In preliminary immunogenicity studies in mice, our norovirus vaccine candidate generated robust HBGA-blocking antibodies against all vaccine norovirus types.

- ***Other recombinant vaccine candidates.*** We are also developing a recombinant quadrivalent HFMD vaccine candidate and a poliomyelitis vaccine candidate. Currently available vaccines for HFMD and poliomyelitis are derived from inactivated or live-attenuated whole virus, for which our recombinant candidates, if proved to have a comparable efficacy profile and a better safety profile, may be a desirable upgrade.

- ***mRNA bivalent therapeutic HPV vaccine candidate.*** We are working on a bivalent therapeutic HPV vaccine candidate that is designed to target HPV E6 and E7 oncoproteins.

Robust in-house developed technology platforms to support our vaccine R&D.

We have developed robust vaccine technology platforms for the discovery and development of vaccine candidates. In particular, we have accumulated significant proprietary technologies and know-how in recombinant protein vaccine development. We were the first in China to file patent application for the expression and preparation of HPV antigens in *E. coli*, reflecting our technological leadership and innovativeness in this field. As of the Latest Practicable Date, we have 50 granted patents and eight pending patent applications in China. In addition, as of the same date, we have one granted patent in South Africa, one pending patent application in Indonesia and eight pending PCT patent applications.

Our robust technology platforms for recombinant protein vaccine R&D comprise:

- ***Structure-based antigen design platform.*** Our structure-based antigen design platform leverages protein structure information to design vaccine candidates with optimal physicochemical properties, biological activity and efficacy. Leveraging the ability to accurately modify and optimize antigens using protein structure information at the atomic level, we can design target antigens with desirable properties based on analysis of the protein's primary sequence, secondary structure and 3D structure. For example, our HPV vaccine candidates are optimized with amino acid modifications in the N-terminal and C-terminal regions of L1 proteins, which not only effectively preserves the immunogenicity of L1-VLPs, but also addresses the poor solubility of L1 when expressed using *E. coli* system. Amino acid modifications made by us also improved the stability of L1-VLPs by minimizing terminal amino acid residue degradation of L1 protein. For our RSV vaccine candidate, we designed and recombinantly expressed the key structural domain that maintains the potent antigenic epitope of the F protein, which is the main target for RSV vaccine development, based on our analysis of the F protein's three-dimensional structure.

- ***Genetic engineering and protein expression platform.*** Protein expression is a complex matter due to the variety of proteins and their different properties and structures. Successful vaccine development depends on the use of appropriate protein expression system in addition to optimizing the coding sequence of the protein of interest and engineering the expression vector as needed. We have established an advanced genetic engineering and protein expression platform to leverage well-established expression systems, such as *E. coli*, yeast and CHO cells, in the development of different vaccine candidates. For instance, by modifying the regulatory elements of the L1 expression vector and optimizing the coding sequence of the L1 proteins, we were able to achieve high levels of soluble expression of HPV L1 proteins in *E. coli*. Through antigen design and screening, and optimization of the expression system, we have overcome technological bottlenecks to achieve high levels of antigen expression of various norovirus genotypes and enteroviruses in yeast cell.

- ***Vaccine engineering platform.*** As we advance the development of our vaccine pipeline, we have built a vaccine engineering platform to scale up manufacturing process for our vaccine candidates in anticipation of product approvals. Our EU and China GMP-compliant pilot plant has a GFA of over 3,000 sq.m, which is equipped with a full suite of manufacturing, quality control and formulation equipment and facilities. As of the Latest Practicable Date, we have completed pilot-scale manufacturing process development for our HPV vaccine candidates, including our Core Products. Scaling up bioprocesses for all our development candidates can be accomplished in the pilot plant, which facilitates smooth technology transfer to the commercial manufacturing plant in the future.

- ***Potency evaluation platform.*** Potency evaluation is an essential component of quality control for vaccines. Leveraging our potency evaluation platform, we have developed a number of methods to evaluate the immunogenicity profile of our vaccine candidates. For example, we have developed pseudovirus-based neutralization assays for all 15 HPV types to evaluate the immunogenicity profile of our trivalent, nonavalent and 15-valent HPV vaccine candidates. We also developed wild-type and recombinant RSV-based neutralization assays for two RSV types, and HBGA-blocking antibody assays for seven norovirus types, to evaluate functional antibody responses induced by our RSV and norovirus vaccine candidates. Furthermore, we have developed techniques for the preparation of monoclonal and polyclonal antibodies for the *in vivo* potency evaluation of our HPV vaccine candidates and norovirus vaccine candidate.

In addition to the technology platforms for recombinant protein vaccine R&D, we have also established an mRNA platform and plan to explore opportunities in relation to mRNA-based vaccines and therapeutics. We believe the mRNA platform will strengthen our vaccine R&D capabilities by synergizing with our recombinant vaccine R&D platform. Moreover, our expertise and knowhow accumulated in the years of recombinant vaccine development, for stance, antigen design, can enable us to advance mRNA-based vaccine development rapidly. We are developing an mRNA bivalent therapeutic HPV vaccine candidate, for which an IND application is expected to be filed with the NMPA in 2025.

Advanced manufacturing capabilities with continued expansion plans to ensure the stable supply of our vaccine products in the future.

Vaccine manufacturing is a complex process that requires deep expertise, knowledge and know-how to manage and ensure quality. We believe that having world-class manufacturing and quality management capabilities creates significant barriers to entry for potential competitors and is crucial for our commercial success. As such, we began to build up our in-house manufacturing capabilities in as early as 2014 and hired a team of over 190 specializing in vaccine manufacturing as of September 30, 2023.

Currently, we have built an EU and China GMP-compliant pilot manufacturing plant with a GFA of over 3,000 sq.m in Beijing, which is equipped with a full suite of manufacturing, quality control and formulation equipment and facilities. In anticipation of market demand for our HPV vaccines, we are also investing in a new manufacturing facility in Kunming to support production for commercial supply in the future. The Kunming facility is designed to have an annual manufacturing capacity of a combination of 10 million doses of trivalent HPV vaccine plus 30 million doses of nonavalent HPV vaccine, and comply with world-class quality standards, including the GMP requirements of China, the EU and the WHO. With a total planned GFA of over 80,000 sq.m, the Kunming facility will be integrated to support our R&D, manufacturing, logistics and office administration functions. As of the Latest Practicable Date, we have commenced an engineering trial run at our Kunming facility. We plan to apply for a drug manufacturing license for the manufacturing facility in Kunming in the second half of 2024, to ensure that we can commence commercial production upon obtaining BLA approval.

Strategic internationalization and business development to maximize pipeline value.

Maximizing pipeline value through collaboration and expansion into global markets is crucial for our business success. We have built a team of management and R&D personnel with extensive R&D and business development experience to lead these efforts. We believe that our international business development will not only unlock the global value of our assets, but will also build our overseas presence and reputation to position us as a major player in the global vaccine market.

- ***High value partnerships.*** We proactively seek opportunities for partnerships in vaccine development while advancing our in-house research and development, which we believe enables us to leverage external resources to drive our pipeline rapidly and effectively towards commercialization. In 2019, we entered into a collaboration arrangement with Chengda Biotechnology, an A-share listed vaccine developer, on the joint development of our 15-valent HPV vaccine candidate. Under the collaboration, we were responsible for early-stage research and pre-clinical studies of the vaccine candidate, and Chengda Biotechnology will be responsible for clinical development, manufacturing and commercialization of the vaccine candidate within the exclusivity period as defined in the collaboration agreement. We and Chengda Biotechnology have obtained IND approval for the 15-valent HPV vaccine candidate in China, and Chengda Biotechnology has made upfront and milestone payments in total of RMB70 million to us. We expect to be able to receive up to RMB50 million in further milestone payments as well as annual royalty payments from sales of the vaccine candidate by Chengda Biotechnology within ten years from the first commercial sale of the 15-valent vaccine.

- ***Global development.*** We believe our vaccine pipeline has significant market potential in certain countries, too, and are actively exploring ways to bring our vaccines to countries and regions with significant unmet needs. We have commenced the phase III clinical trial in November 2023 and expect to submit a BLA for our nonavalent HPV vaccine candidate to the Indonesian BPOM for prevention of HPV infections and associated diseases in females in 2025. We believe that we can leverage clinical trial data collected in China and Indonesia to seek registration of our nonavalent HPV vaccine candidate in other ASEAN countries as well.

Experienced and renowned management team with strong support from reputable shareholders in the biotech industry.

We are led by an experienced management team with extensive experience in the R&D of vaccines and enterprise management. Our management team has an average of over 20 years of industry experience, through which they have accumulated in-depth expertise and insights in these areas. Key members of our management team include (i) Mr. LIU Yongjiang, our co-founder, executive Director, chairman of the Board and chief scientific officer, who has over 30 years of experience in academic research and biotechnology R&D and has received a Third Prize of the National Science And Technology Progress Award (國家科技進步三等獎); (ii) Mr. TAO Ran, our executive Director and chief executive officer, who has over 40 years of experience in business management and has guided our growth since joining us in 2008; and (iii) Mr. HAO Chunli, our executive Director, vice chairman of the Board and chief operating officer, who has approximately 30 years of experience in business management and has been with us for over ten years.

In addition, other management team members also bring rich and complementary experience to the development, manufacturing and commercialization of biological products from leading biopharmaceutical companies. Leveraging these experiences, our management team can effectively identify the optimal vaccine candidate and execute its development plan efficiently to meet market needs and lead our future growth. We are also supported by our scientific advisory board, which consists of renowned scientists in virology and vaccine research to provide strategic advice and forward-looking recommendations on our product development. They are Dr. Chen Xiaojiang, the first scientist in the world to report the small HPV L1-VLP structure, Dr. Rao Zihe, an academician of the Chinese Academy of Sciences, and Dr. Sheng Jun, a professor at Yunnan Agricultural University who successfully developed the split influenza vaccine in China.

Since our inception, we have also received strong support from our shareholders, which include, among others, Jemincare Investment, Yunfeng Fund, and SCGC which are all reputable investors in the biotech industry. We believe their investments attest to their recognition of our value and growth potential, and will support our continuous growth in the future.

OUR STRATEGIES

We are a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, on the path to becoming a biopharma company. By advancing our HPV vaccine franchise, our aim is to increase the accessibility and affordability of HPV vaccines for a wider age and gender demographic, and thereby address the unmet market needs for HPV vaccines. In addition, we are committed to developing and launching more innovative vaccine products with promising safety and efficacy profiles, and continuously pursuing technological innovation in vaccine R&D. Through these efforts, we will seek to fulfill our mission to help improve global public health and protect more people from infectious diseases. To achieve these goals, we plan to implement the following strategies.

Efficiently advance and successfully complete the clinical trials of our HPV vaccine candidates.

HPV vaccine is one of the most effective vaccines and commercially successful vaccines globally. In 2020, the WHO launched the Global Strategy to Accelerate the Elimination of Cervical Cancer as a Public Health Problem ("**Global Strategy**"), which recommended that by 2030, 90% of females complete HPV vaccination before the age of 15 years. Moreover, high-risk HPV types can also infect males and cause serious diseases, and as of 2022, 47 countries have introduced HPV vaccine in their national immunization program for boys. Furthermore, primarily due to supply shortage and varying immunization awareness, HPV vaccination rate is uneven across the world, higher in females aged below 15 in developed countries, such as 86% and 69% in Canada and United States, and lower in developing countries, such as 6% in Indonesia. China's HPV vaccine market is also significantly underserved due to limited supply of HPV vaccines. As of the end of 2022, only approximately 29.2 million females aged between 9 to 45 in China were fully vaccinated against HPV, which translates to a low vaccination rate for females aged between 9 to 45 of 9.36%.

We are developing three HPV vaccine candidate to strategically expand the population and geographic coverage of our HPV vaccine franchise, including a near-commercial stage trivalent HPV vaccine candidate, a phase-III stage nonavalent HPV vaccine candidate and a phase I-ready 15-valent HPV vaccine candidate. We believe these vaccine candidates, if approved and successfully launched, will significantly improve the accessibility and affordability of HPV vaccines in China and globally.

- ***Trivalent HPV vaccine candidate.*** Our trivalent HPV vaccine candidate is specifically designed to protect against cervical cancer in females in East Asia. In addition to HPV types 16 and 18, the two high risk HPV types targeted by approved bivalent and quadrivalent HPV vaccines, our trivalent HPV vaccine candidate also covers HPV type 58, the third most prevalent HPV type detected in cervical cancer cases in East Asia. We believe our trivalent HPV vaccine candidate has the potential to reach the market ahead of most higher-valency competitors, and once approved, increase protection against cervical cancer for East Asian females to approximately 78%, as compared to approximately 70% provided by the currently approved bivalent or quadrivalent HPV vaccines. We initiated a phase III clinical trial of our trivalent HPV vaccine candidate in October 2020. By January 2022, we had completed enrollment and dosing of all trial subjects. As of the Latest Practicable Date, we have completed follow-up visits of subjects for up to 30 months post the first dose. We are in the process of carrying out the follow-up visits for 36 months post the first dose. We currently expect to submit a BLA application for the trivalent vaccine candidate for the prevention of HPV infections and associated diseases in females to the NMPA by the end of 2024.

- ***Nonavalent HPV vaccine candidate***. Our nonavalent HPV vaccine candidate has demonstrated non-inferiority to Gardasil9, the only approved nonavalent HPV vaccine worldwide, in terms of neutralizing antibody responses against all vaccine HPV types in female subjects. In addition to satisfying HPV vaccine demand of the female population in China, our nonavalent HPV vaccine candidate is the only homegrown HPV vaccine candidate that has entered phase III efficacy trial in males in China and the only homegrown nonavalent HPV vaccine candidate that is under independent clinical development for overseas market.

  - *Female indication.* We initiated a phase III clinical trial of the nonavalent HPV vaccine candidate in females in December 2020, making us one of the few Chinese vaccine developers with a nonavalent HPV vaccine candidate in Phase III efficacy trial. As of the Latest Practicable Date, we have completed follow-up visits of all trial subjects for 24 months post the first dose. We are in the process of carrying out follow-up visits for 30 and 36 months post the first dose, with follow-up visits of most subjects for 30 months post the first dose completed. We believe our nonavalent HPV vaccine candidate for use in females is potentially eligible for the accelerated approval pathway under the HPV Vaccine Guideline in consideration of the design and progress of the phase III trial of our trivalent HPV vaccine candidate, and we currently expect to successfully accumulate the prescribed number of virological endpoint (PI12) cases and submit a BLA application for use in females to the NMPA in 2025.

  - *Male indication.* According to Frost & Sullivan, as of the Latest Practicable Date, there is no HPV vaccine approved for use in males in China. We are the first Chinese vaccine developer to have initiated a phase III efficacy trial of nonavalent HPV vaccine candidate in males in December 2022. We completed subject enrollment in September 2023, and as of the Latest Practicable Date, we have completed follow-up visits of most trial subjects for seven months post the first dose. We currently expect to complete accumulation of the prescribed number of disease endpoint cases and submit a BLA application for use in males to the NMPA in 2027.

  - *Overseas market.* In September 2023, we obtained CTA approval from the Indonesian BPOM for a phase III clinical trial of our nonavalent HPV vaccine candidate in females in Indonesia, and initiated subject enrollment in November 2023. As of the Latest Practicable Date, we have completed enrollment and first dosing of subjects in our phase III clinical trial in Indonesia. We currently expect to file a BLA for use in females in Indonesia in 2025.

- ***15-valent HPV vaccine candidate***. According to Frost & Sullivan, our 15-valent HPV vaccine candidate offers the broadest protection against cervical cancer caused by high-risk HPV types among all HPV vaccines worldwide that are commercially available or have obtained IND approval as of the Latest Practicable Date. We obtained IND approval for the 15-valent HPV vaccine candidate in March 2022. We have the clinical samples of the 15-valent HPV vaccine candidate ready for phase I and phase II trials. Pursuant to the 15-valent HPV Vaccine Co-development Agreement, Chengda Biotechnology is expected to initiate a phase I clinical trial in 2024.

Build up our manufacturing capabilities and sales network to achieve successful commercialization.

We plan to pace the construction of our manufacturing facility and the establishment of our sales network with the clinical development progress of our vaccine candidates to ensure the smooth transition of a promising vaccine candidate to a successful vaccine product. We believe this will also transform us from an R&D-focused biotech company to an integrated biopharma company.

We will continue to invest in the construction of our manufacturing facility in Kunming, which will be primarily used for commercial production of our HPV vaccines upon approval. We commenced technology transfer and an engineering trial run at our Kunming facility in August 2023. As of the Late Practicable Date, we had completed the engineering trial run at our Kunming facility. We plan to apply for a drug manufacturing license for the manufacturing facility in Kunming in the second half of 2024, to ensure that we can commence commercial production upon obtaining BLA approval. For supply to overseas market, we will meet the requisite requirements of applicable regulatory authority in accordance with our business plan for our nonavalent HPV vaccine candidate.

In addition, we plan to build up our sales force and establish our sales network to broaden our reach and access to those in need. We plan to expand our in-house sales and marketing team from our current team of seven members to support our sales and marketing activities prior to the commercial launch of our vaccine products. Leveraging the competitive advantage of our trivalent HPV vaccine in protection against cervical cancer as compared to the approved bivalent and quadrivalent HPV vaccines, we plan to strengthen academic cooperation with local CDCs in China and participate in various academic seminars and conferences to enhance the awareness about HPV vaccination and our brand. We will also explore opportunities to collaborate with leading biopharmaceutical companies or CSO companies in China to carry out promotional activities jointly through cooperation with KOLs, local CDCs and vaccination sites.

Expand our global presence and explore opportunities to maximize the global value of our vaccine candidates.

We plan to bring our highly competitive HPV vaccines, particularly our nonavalent HPV vaccine, to countries where there are unmet market needs. As a first step, we plan to enter the ASEAN market. According to Frost & Sullivan, the ASEAN market has a total population of over 670 million, including approximately 177 million of females of appropriate age for HPV vaccination. In addition, eight of the ten ASEAN member countries have included HPV vaccines in their national immunization programs. However, as of the Latest Practicable Date, HPV vaccine supply for the ASEAN market is largely constrained with only four approved vaccines, hence an overall low vaccination rate of 3% for females aged 9-45 years in this region.

For the purpose of expanding into the ASEAN market, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in females in Indonesia in November 2023. We plan to rapidly advance the phase III clinical trial and have set up an office in Jakarta to support the trial. In addition, we will explore out-licensing and joint venture opportunities to collaborate with MNCs, local pharmaceutical companies or NGOs on manufacturing localization and commercialization of our nonavalent HPV vaccine. Meanwhile, we will actively seek opportunities to participate in international procurement schemes by engaging with international organizations like the WHO and The Bill & Melinda Gates Foundation.

In order to capture opportunities in global markets, we have planned and designed our manufacturing facility in compliance with international standards, laying a solid foundation for overseas clinical development and vaccine registration. Our pilot manufacturing plant in Beijing has passed GMP compliance audit by an EU Qualified Person (QP), in an achievement signaling global recognition of our quality management system. In addition, our manufacturing facility in Kunming is designed to be compliant with China, EU and WHO GMP requirements. We expect to apply to the WHO for the prequalification of our HPV vaccines in due course.

Accelerate the development of other vaccine candidates in our pipeline that can meet significant medical needs.

We will continue to advance the preclinical and clinical development of the other differentiated assets in our pipeline to address significant medical needs in a broad spectrum of disease areas, including:

- ***RSV vaccine candidate***. We are developing a recombinant RSV vaccine candidate that is designed based on the sequence of the fusion (F) glycoprotein on the surface of RSV virion. As of the Latest Practicable Date, we have established cell banks to be used for vaccine production, finished process development for cell culture and purification, and initiated formulation study on our RSV vaccine candidate. In preliminary immunogenicity studies in mouse model, our RSV vaccine candidate generated high titers of neutralizing antibodies against recombinant RSV. We plan to rapidly advance the preclinical studies of our recombinant RSV vaccine candidate and submit an IND application therefor to the NMPA by the end of 2024.

- ***Herpes zoster vaccine candidate***. We are developing a recombinant herpes zoster vaccine candidate that is formulated with a novel adjuvant. Preliminary studies of our herpes zoster vaccine candidates in mice indicate that it is able to elicit robust humoral and cellular responses that are comparable to those induced by a licensed herpes zoster vaccine. We have established cell banks to be used for vaccine production, finished process development for cell culture and purification, and initiated formulation study on our herpes zoster vaccine candidate. We currently plan to submit an IND application for our recombinant herpes zoster vaccine candidate to the NMPA by the end of 2024.

- ***Heptavalent norovirus vaccine candidate***. We are developing a recombinant heptavalent norovirus vaccine candidate that is designed to protect against norovirus types GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17. As of the Latest Practicable Date, we have completed the construction of genetically-engineered cell banks to be used for vaccine production, finished small-scale process development for cell culture and purification, and initiated pilot-scale process development and formulation study on our norovirus vaccine candidate. Preliminary immunogenicity studies indicated that our norovirus vaccine candidate can generate robust HBGA-blocking antibodies against all vaccine norovirus types. We plan to rapidly advance pre-clinical studies of our norovirus vaccine candidate and submit an IND application therefor to the NMPA in 2025.

- ***Other recombinant vaccine candidates***. We will continue our R&D efforts on our quadrivalent HFMD and poliomyelitis vaccine candidates. We plan to submit an IND application to the NMPA for our quadrivalent HFMD vaccine candidate and our poliomyelitis vaccine candidate after 2025.

- ***mRNA bivalent therapeutic HPV vaccine candidate***. We are working on a bivalent therapeutic HPV vaccine candidate that is designed to target HPV E6 and E7 oncoproteins.

Continue to develop our technology platforms to strengthen our core competitiveness.

Since our inception, we have focused on in-house R&D activities and building up our vaccine technology innovation capabilities. We will continue to develop and upgrade our technology platforms to support the R&D of our vaccine candidates. In addition, the development and upgrade of our technology platforms will enable us to discover and develop new vaccine candidates that meet significant market needs and achieve synergy with our pipeline. We are also exploring opportunities to further enrich our technology platforms and our vaccine pipeline to further expand our business through investment, acquisition, in-licensing and other forms of collaboration.

We will continue to focus on the development and commercialization of our vaccine candidates. Specifically, we will leverage our extensive expertise and knowledge accumulated over years of vaccine R&D to design and optimize new vaccine antigens. By doing so, we aim to develop innovative vaccine candidates with optimal physicochemical properties, biological activities and efficacy. At the same time, we plan to increase investment in our mRNA platform to support development of mRNA-based vaccines and therapeutics in the future.

OUR VACCINE PIPELINE

We are a clinical-stage biotechnology company committed to developing novel vaccines to address unmet medical needs in China and worldwide. As of the Latest Practicable Date, we have nine vaccine candidates in our pipeline, led by three HPV vaccine candidates that are in phase III clinical trials or clinical trial ready. The following table summarizes our vaccine pipeline and their respective development stage as of the Latest Practicable Date.

Category	Disease/Virus	Vaccine candidate		Discovery	Pre-clinical	Phase I	Phase II	Phase III	Upcoming milestone
Recombinant vaccine	HPV	Trivalent HPV Vaccine ★						China	BLA to be submitted in 2024
		Nonavalent HPV Vaccine ★	Female Indication[1]					China	BLA to be submitted in 2025
								Indonesia	BLA to be submitted in 2025
			Male Indication[2]					China	BLA to be submitted in 2027
		15-Valent HPV Vaccine[3]						China	Phase I to be initiated in 2024
	RSV	Bivalent RSV Vaccine							IND to be submitted in 2024
	VZV	Herpes Zoster Vaccine							IND to be submitted in 2024
	Norovirus	Heptavalent Norovirus Vaccine							IND to be submitted in 2025
	HFMD	Quadrivalent HFMD Vaccine							IND to be submitted after 2025
	Polio	Polio Vaccine							IND to be submitted after 2025
mRNA vaccine	HPV	Bivalent Therapeutic HPV Vaccine							IND to be submitted in 2025

★ Core Product

HPV = human papillomavirus; RSV = respiratory syncytial virus; VZV = varicella zoster virus; HFMD = hand, foot and mouth disease

Notes:

1. Per the CTA approval from the Indonesian BPOM, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate directly without having to conduct phase I & II clinical trials in Indonesia.

2. Per the IND approval from the NMPA, we initiated a phase III clinical trial of our nonavalent HPV vaccine candidate in males after completing a phase I clinical trial in males in China.

3. We and Chengda Biotechnology are collaborating on the development of a 15-valent HPV vaccine candidate. For details, see "– Our Collaboration Agreement."

Our HPV Vaccine Franchise

Overview of the HPV Vaccine Market

Human papillomavirus ("HPV") is the most common pathogen in the reproductive tract and one of the most common sexually transmitted infections. Although most HPV infections do not cause illness, persistent infection with high-risk HPV types can progress into malignant diseases, such as cervical cancer. These high-risk HPV types, including HPV 16, 18, 31, 33, 35, 39, 45, 51, 52, 56, 58, 59 and 68 in aggregate account for approximately 96% of cervical cancer cases. Among them, HPV types 16 and 18 are widely considered to be the two most prevalent cancer-causing HPV types that significantly increase the risk of cervical cancer in women and combined cause approximately 70% of cervical cancer cases globally. In addition, various studies have indicated that HPV type 58 is the third most prevalent HPV type detected in cervical cancer in East Asia. Moreover, HPV types 6 and 11 cause approximately 90% of anal and genital warts globally.

In 2020, WHO launched the *Global Strategy to Accelerate the Elimination of Cervical Cancer as a Public Health Problem*, which identifies HPV vaccination as the primary prevention strategy for cervical cancer and recommends that 90% of females complete HPV vaccination before 15 years of age by 2030, as HPV vaccine can protect against infections with high-risk HPV types it targets. In China, in January 2023, the National Health Commission, together with nine other government departments, formulated the *Plan to Accelerate the Elimination of Cervical Cancer (2023-2030) (加速消除宮頸癌行動計劃(2023–2030年)*, which emphasizes that HPV vaccination should be promoted in the recommended age cohort. Multiple local governments in China, such as Guangdong and Jiangsu province, also launched campaigns to provide free HPV vaccines to girls below the age of 14 years. HPV vaccine can also prevent cancers caused by HPV in males, for instance, anal cancer, oropharyngeal cancer and penile cancer, as well as most genital warts. Therefore, many governments worldwide have launched education campaigns to raise public awareness about disease risks associated with HPV in male populations. As of 2022, 47 countries, have introduced HPV vaccine in their national immunization program for boys.

As of the Latest Practicable Date, there are six HPV vaccines approved for use in females globally, including three bivalent vaccines (Cervarix, Cecolin and Walrinvax), two quadrivalent vaccines (Gardasil and Cervavac) and a nonavalent vaccine (Gardasil9). As of the same date, Gardasil and Gardasil9 are the only HPV vaccines approved for use in males globally. According to Frost & Sullivan, the supply of the six approved HPV vaccines in the world was approximately 80 million doses in 2022 and covered only 40 million people assuming each person receives two doses to be fully vaccinated. As such, in 2022, globally the HPV vaccination rate for females and males aged below 15 stands at 15% and 5%, respectively. Furthermore, primarily due to supply shortage and varying immunization awareness, HPV vaccination rate is uneven across the world, higher in females aged below 15 in developed countries, such as 86% and 69% in Canada and United States, and lower in females aged below 15 in developing countries, such as Indonesia at 6%.

Notwithstanding the huge market need for HPV vaccines, China's HPV vaccine market is significantly underserved due to limited supply of HPV vaccines. Five HPV vaccines have been approved for use in females in China, namely Cervarix, Cecolin, Walrinvax, Gardasil and Gardasil9 as of the Latest Practicable Date. As of the end of 2022, only approximately 29.2 million females aged between 9 to 45 in China were fully vaccinated against HPV, which translates to a low vaccination rate for females aged between 9 to 45 of 9.36%, according to Frost & Sullivan. Furthermore, as of the Latest Practicable Date, there is no HPV vaccine approved for use in males in China. For details, see "Industry Overview – HPV Vaccines – HPV Vaccine Market."

Overview of Our HPV Vaccine Franchise

We initiated HPV vaccine R&D in 2008, making us one of the first PRC companies to engage in HPV vaccine development. As of the Latest Practicable Date, we have one near-commercial stage trivalent HPV vaccine candidate, one phase-III stage nonavalent HPV vaccine candidate being developed for use in both females and males and for both China and overseas markets, and one phase I-ready 15 valent HPV vaccine candidate under development in collaboration with Chengda Biotechnology. We believe our HPV vaccine franchise is the most comprehensive in China and worldwide, and well-positioned to serve all target populations:

- ***Trivalent HPV vaccine candidate.*** Our trivalent HPV vaccine candidate is specifically designed for East Asian females. In addition to HPV types 16 and 18, which in aggregate cause approximately 70% of cervical cancer cases worldwide and are covered by all the approved bivalent and quadrivalent vaccines globally, our trivalent HPV vaccine candidate is also designed to protect against HPV type 58, which is the third most prevalent HPV type detected in cervical cancer cases in East Asia. As such, our trivalent HPV vaccine candidate will increase protection against cervical cancer for East Asian females to approximately 78%, as compared to approximately 70% provided by the currently approved bivalent or quadrivalent HPV vaccines. We will seek to submit a BLA to the NMPA for our trivalent HPV vaccine candidate by the end of 2024, which will be positioned for use in female populations that are price-sensitive and desire basic protection against cervical cancer, and we expect to price our trivalent HPV vaccine candidate accordingly.

- ***Nonavalent HPV vaccine candidate.*** Our nonavalent HPV vaccine candidate will potentially become one of the first homegrown nonavalent HPV vaccines approved for use in females in China. Compared to our trivalent HPV vaccine candidate, our nonavalent HPV vaccine candidate covers more HPV types, and can therefore protect against approximately 90% of cervical cancer cases and approximately 90% of genital warts. Moreover, our phase III stage nonavalent HPV vaccine candidate is expected to be one of the first homegrown nonavalent HPV vaccines approved for use in females and is the first homegrown nonavalent HPV vaccine candidate to have commenced pivotal efficacy trial in males in China. We are also actively developing our nonavalent HPV vaccine candidate overseas, with a phase III clinical trial ongoing in Indonesia in females and a BLA expected to be filed with the Indonesian BPOM in 2025.

- ***15-valent HPV vaccine candidate.*** Our 15-valent HPV vaccine candidate is designed to protect against all of the high-risk HPV types identified by the IARC. According to Frost & Sullivan, our 15-valent HPV vaccine candidate offers protection against no less than 96% of cervical cancer cases and, as of the Latest Practicable Date, has highest valency among HPV vaccines worldwide that are approved or have obtained IND approval, therefore offering the broadest protection against HPV-caused diseases. Considering the structural complexity of HPV L1 VLPs and difficulty in preparing them, we believe the development of our 15-valent HPV vaccine candidate attests to our strong R&D capabilities. We have entered into a collaboration agreement with Chengda Biotechnology on the development and future commercialization of the 15-valent HPV vaccine candidate, which entitles us to receive milestone payments and royalty fees upon its commercialization.

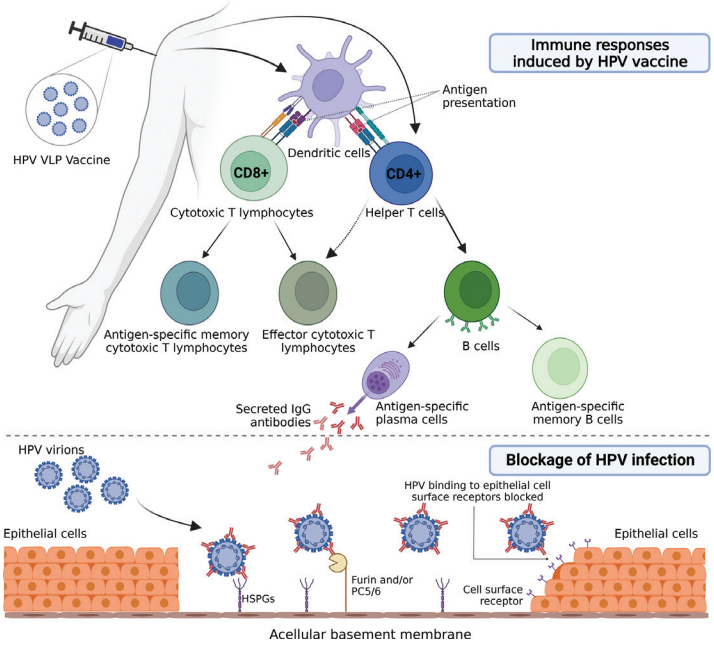
Our comprehensive HPV vaccine franchise enables us to achieve synergies in R&D, clinical trial and future commercialization of our HPV vaccine candidates. Our HPV vaccine candidates all employ *E. coli* expression system for production and share the same mechanism of action. For details, see "– Mechanism of Action." Furthermore, according to the HPV Vaccine Guideline issued by the CDE of the NMPA, we may receive accelerated approval for our nonavalent with PI12 efficacy data after we have achieved success in the phase III efficacy trial of our trivalent vaccine candidate using the CIN2+ disease endpoint in China. For details, see "– Our Phase III-Stage Nonavalent HPV Vaccine Candidate – Our Core Product – Key Advantages – Reduced time to market with policy support."

Mechanism of Action

Our HPV vaccine candidates include recombinant HPV L1 proteins as antigens which elicit immune responses against HPV in human body. L1 is the major structural protein of HPV capsid, and can spontaneously self-assemble *in vitro* into VLPs that closely mimic the viral surface structure of HPV. These VLPs are highly immunogenic with immunodominant epitopes that can elicit robust type-specific immune responses, and are non-infectious, too, as they do not contain viral DNA.

Our HPV vaccine candidates are optimized with amino acid modifications in the N-terminal and C-terminal regions of the L1 protein, which not only effectively preserves the immunogenicity of L1-VLPs, but also addresses the poor solubility of L1 when expressed using *E. coli*. Amino acid modifications made by us also improved the stability of L1-VLPs by minimizing terminal amino acid residue degradation of L1 protein.

Our HPV vaccine candidates will provide robust long-term protection against HPV through the mechanism of action illustrated below:



- ***Blockage of HPV infection.*** Our HPV vaccine candidates induce the activation of antigen-specific plasma cells, which secrete neutralizing antibodies that specifically bind to L1 proteins on the surface of HPV, thereby preventing HPV from entering host cells.

- ***Long-term protection.*** Most importantly, our HPV vaccine candidates can stimulate the generation of antigen-specific memory B cells and T cells. This allows the immune system to remember the L1 proteins on the HPV surface and promptly respond to future HPV exposures, thereby protecting human body against potential HPV infection.

The *E. coli* expression system we use in the R&D of our HPV vaccine candidates is widely utilized in recombinant protein production due to its characteristics of fast growth and ability to synthesize protein efficiently, with enhanced production yield. Furthermore, *E. coli* offers advantages such as simplified downstream processing that increases cost effectiveness, and the wide range of established tools available for molecular manipulation. By employing *E. coli* expression system, we can achieve commercial manufacturing of our HPV vaccines in a highly cost-effective manner.

Our Near-commercial Trivalent HPV Vaccine Candidate – Our Core Product

Overview

Our Core Product, the trivalent HPV vaccine candidate, is designed to protect against HPV types 16, 18 and 58. HPV types 16 and 18 are the two most prevalent high risk HPV types associated with carcinomas, contributing to approximately 70% of cervical cancer cases globally. In addition, various studies have indicated that HPV type 58 is the third most prevalent HPV type detected in cervical cancer in East Asia. Currently, our trivalent HPV vaccine candidate is in phase III clinical trial in China. We expect to submit a BLA to the NMPA for our trivalent HPV vaccine candidate by the end of 2024.

Key Advantages

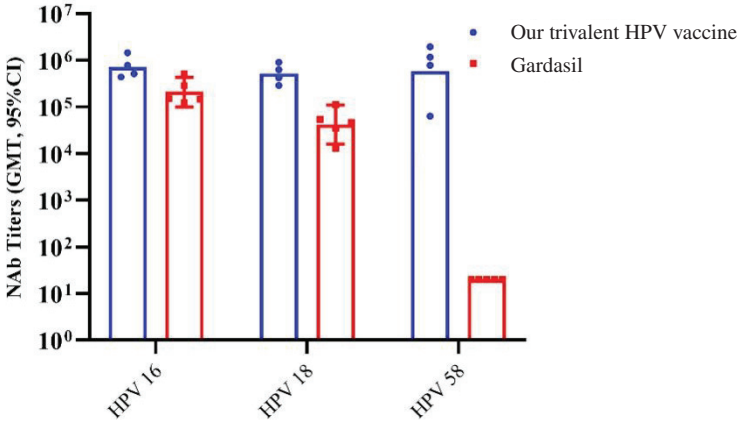
We believe our trivalent HPV vaccine candidate has the following advantages.

- ***Broader protection against cervical cancer in East Asia as compared to approved bivalent or quadrivalent HPV vaccines***. Our trivalent HPV vaccine candidate is designed to cover HPV types 16, 18 and 58. HPV types 16 and 18, which are targeted by all the approved bivalent or quadrivalent HPV vaccines in the world, are the two most prevalent HPV types detected in human cancers caused by HPV, accounting for approximately 70% of cervical cancer cases globally. HPV type 58 is the third most prevalent HPV type detected in cervical cancer in East Asia, causing approximately 8% of cervical cancer cases in this region. As such, we believe our trivalent HPV vaccine candidate, if approved, can address the unmet medical needs in the underserved China market.

- ***Approaching commercialization.*** We expect to submit a BLA for our trivalent HPV vaccine candidate by the end of 2024. Currently, our trivalent HPV vaccine candidate is in a phase III clinical trial in females, with follow-up visits of subjects completed for 30 months after the first dose. We are in the process of carrying out the follow-up visits for 36 months post the first dose. We believe that our trivalent HPV vaccine candidate will obtain BLA approval ahead of most domestically developed higher-valency HPV vaccines and enable us to capture significant market share.

- ***Promising safety profile and favorable immunogenicity profile***. Our trivalent HPV vaccine candidate has demonstrated a promising safety profile in its phase I and phase II clinical trials. There were no statistical differences in the incidences of AEs and serious AEs between vaccine groups and the placebo group. Most of the AEs reported were Grade I or II. In phase II clinical trial, all three doses of our trivalent HPV vaccine candidate elicited significantly stronger immune responses against vaccine HPV types as compared to the placebo. In addition, in a pre-clinical study in rhesus macaques with Gardasil as the positive control, our trivalent HPV vaccine candidate elicited stronger immune responses than Gardasil against shared HPV types 16 and 18. The following graph depicts the GMTs of neutralizing antibodies elicited by our trivalent HPV vaccine candidate versus Gardasil in animal studies.

Neutralizing antibodies induced by our trivalent HPV vaccine in rhesus macaques at week 4 post dose 3



Summary of Clinical Trials

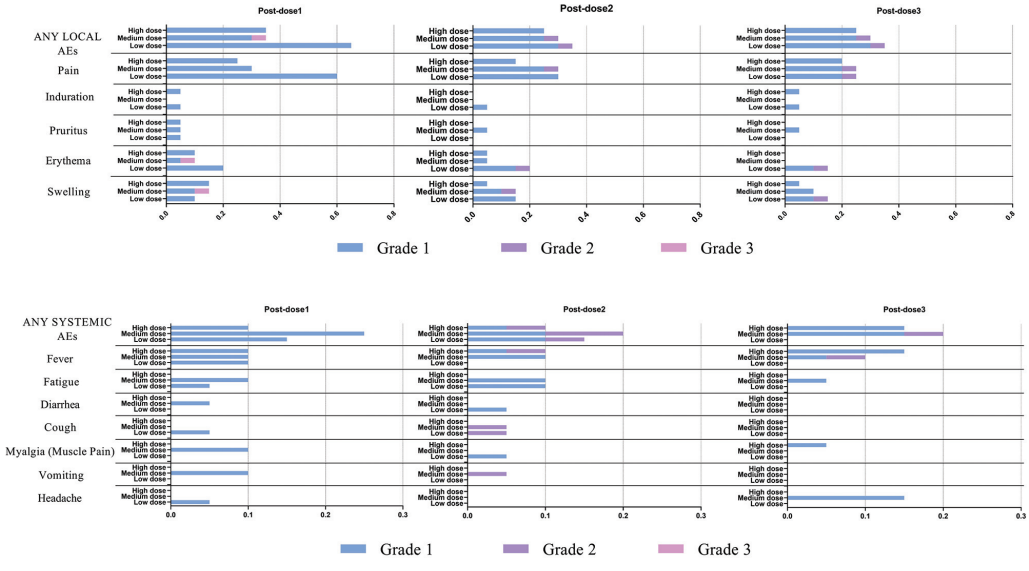
We obtained IND approval for clinical trials of our trivalent HPV vaccine candidate in females in September 2017. The IND approval is an umbrella approval that covers all three clinical trial phases. Although the IND approval did not specify the target age of female subjects for our trivalent HPV vaccine candidate, we initially tested it in females aged 18 to 45 years. Based on the preliminary safety and immunogenicity data from clinical trials of our trivalent HPV vaccine candidate in females aged 18 to 45 years, we believe our trivalent HPV vaccine candidate will also have a desirable safety and immunogenicity profile in adolescent girls, and thus initiated an immuno-bridging trial accordingly in females aged 9 to 26 years in October 2021 to further expand our trivalent HPV vaccine candidate's population coverage.

Phase I Clinical Trial

- ***Trial design.*** In June 2018, we commenced a single-center, open-label and dose-escalation trial, which enrolled 60 healthy females aged 18 to 45 years. The primary objective of this trial was to evaluate the safety, tolerability and immunogenicity profile of our trivalent HPV vaccine candidate at different dose levels. All subjects enrolled were randomized at a 1:1:1 ratio into three groups, namely the low-dose group (40 μg/0.5 ml), medium-dose group (80 μg/0.5 ml) and high-dose group (120 μg/0.5 ml). Each subject received our trivalent HPV vaccine candidate according to a three-dose schedule at months 0, 1 and 6. All AEs within 28 days post each vaccination and serious AEs post dose 1 through the end of the study were recorded. The phase I clinical trial was completed in January 2019.

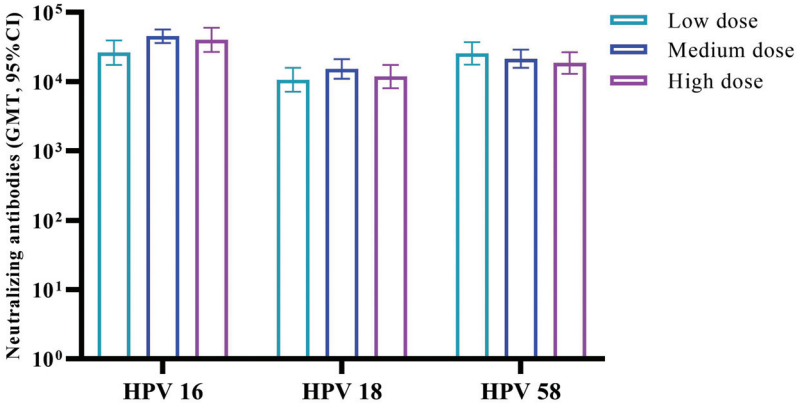
- ***Safety profile.*** During the 28-day safety observation period following each vaccination, the majority of AEs collected were Grade I or II, with only two Grade III AEs reported in the medium-dose group. No serious AEs were observed in the trial, and no statistical differences were detected in incidences of AEs and serious AEs among dose groups. The following graphs summarize the incidences of AEs reported in the phase I clinical trial.

Safety data from phase I study of our trivalent HPV vaccine in females



- ***Immunogenicity profile.*** In order to evaluate the immunogenicity of our trivalent vaccine candidate, we measured the GMTs of neutralizing antibodies against each vaccine HPV type at one month following the third dose. As shown in the graph below, our trivalent HPV vaccine candidate elicited strong neutralizing antibody responses against HPV 16, 18 and 58, and the differences in GMT levels among dose groups were not statistically significant.

Phase I study of our trivalent HPV vaccine immunoggenicity data at month 1 post dose 3

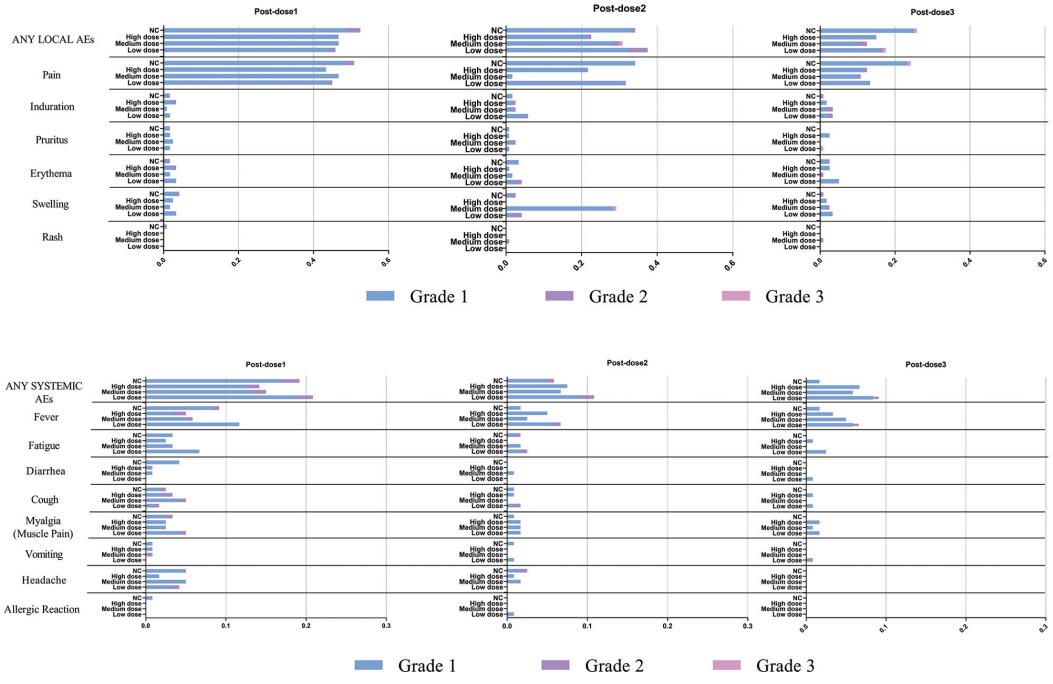


Phase II Clinical Trial

- ***Trial design.*** In October 2018, we commenced a single-center, randomized, double-blind and placebo-controlled phase II clinical trial of our trivalent HPV vaccine candidate, with 480 healthy females enrolled. The primary objective of this trial was to further evaluate the safety, tolerability and immunogenicity profile of our trivalent HPV vaccine candidate. All subjects enrolled were randomized at a ratio of 1:1:1:1 into four groups, namely the low-dose group (40 μg/0.5 ml), the medium-dose group (80 μg/0.5 ml), the high-dose group (120 μg/0.5 ml) and the placebo group. Each subject in the study received any of the three dose formulations of our trivalent HPV vaccine candidate or the placebo according to a three-dose schedule at months 0, 1 and 6. All AEs within 28 days post each vaccination and serious AEs post dose 1 through the end of the study were recorded. The phase II clinical trial was completed in May 2019.

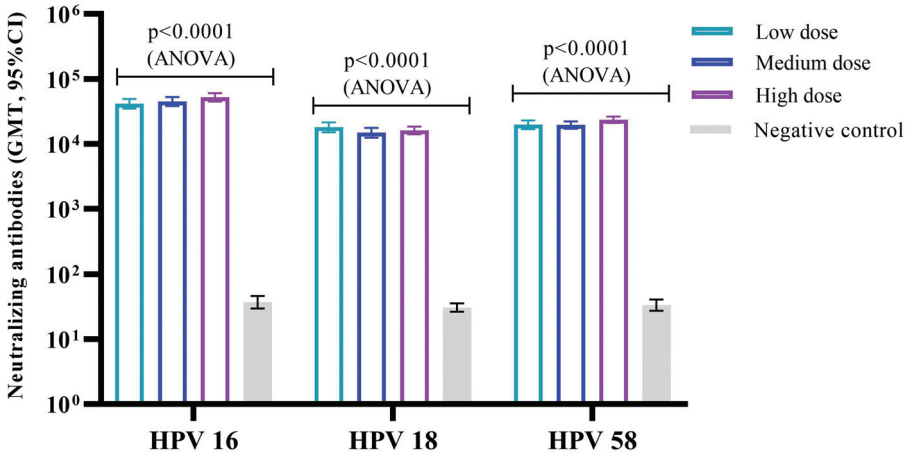
- ***Safety profile.*** During the 28-day safety observation period following each vaccination, the majority of AEs that occurred were Grade I or II, with very few serious AEs and Grade III or above AEs reported. The most common AEs observed in the trial were pain and fever. There were no statistical differences in incidences of AEs and serious AEs among vaccine groups and the placebo group, indicating a promising safety profile of our trivalent HPV vaccine candidate. The following graphs summarize the incidences of AEs reported in the phase II clinical trial.

Safety data from phase II study of our trivalent HPV vaccine in females



- ***Immunogenicity profile.*** Our trivalent HPV vaccine candidate demonstrated a favorable immunogenicity profile. Compared to the placebo, our vaccine candidate induced significantly higher immune responses against all vaccine HPV types. The following graph illustrates the GMT levels of neutralizing antibodies induced by our trivalent HPV vaccine candidate versus the placebo at one month following the third dose.

Phase II study of our trivalent HPV vaccine immunoggenicity data at month 1 post dose 3



Ongoing Phase III Clinical Trial

As shown in the phase II clinical trial of our trivalent HPV vaccine candidate, the safety and immunogenicity profile of the vaccine candidate was consistent across the different dose levels tested. Accordingly, we decided to use the medium dose for further studies. In October 2020, we commenced a phase III clinical trial with our trivalent HPV vaccine candidate. This clinical trial is a multi-center, randomized, double-blind and placebo-controlled study, which planned to enroll 8,880 subjects. Approximately one-fourth of the enrolled subjects were 18 to 26 years of age, and the remaining subjects were 27 to 45 years of age. Each subject shall receive a three-dose regimen (0, 1, 6 months) of our vaccine candidate or the placebo and will be followed for up to 54 months post the third vaccination. The primary objective of this trial is to demonstrate the efficacy of our trivalent HPV vaccine candidate against HPV 16/18/58-related high-grade Cervical Intraepithelial Neoplasia (CIN 2/3), Adenocarcinoma in Situ (AIS), Invasive Cervical Carcinoma, high-grade Vulvar Intraepithelial Neoplasia (VIN 2/3), high-grade Vaginal Intraepithelial Neoplasia (VaIN 2/3), vulvar cancer, vaginal cancer and 12-month persistent infection (PI12), while the secondary objective includes evaluation of the efficacy of our trivalent HPV vaccine candidate against HPV 16/18/58-related 6-month persistent infection (PI6), Cervical Intraepithelial Neoplasia grade 1 or above (CIN1+), and lesions in the external genitalia and vagina, as well as the safety and immunogenicity of our vaccine candidate.

As of the Latest Practicable Date, we have completed follow-up visits of subjects for up to 30 months post the first dose. We are in the process of carrying out the follow-up visits for 36 months post the first dose. Based on communications with the NMPA, we expect to file a BLA with the NMPA for the trivalent vaccine candidate for the prevention of HPV infections and associated diseases in females following the planned interim analysis after successful accumulation of the prescribed number of disease endpoint (CIN2+) cases. We currently expect that we will accumulate the prescribed number of disease endpoint (CIN2+) cases by the end of 2024.

Ongoing Immuno-bridging Trial in Young Females

In October 2021, we commenced an immuno-bridging trial in females aged 9-26 years, aiming to expand the target population of our vaccine candidate to include females aged 9 to 17 years. The trial is a single-center study, which planned to enroll approximately 2,250 subjects, including (i) 525 girls aged 9 to 14 years that will be enrolled into a two-dose group to receive our trivalent vaccine candidate; (ii) 525 girls aged 9 to 17 years that will be enrolled to a three-dose group to receive our vaccine candidate; and (iii) 1,200 females aged 18 to 26 years that will be enrolled and randomized at a ratio of 1:1 to receive a three-dose regimen of our trivalent HPV vaccine candidate or Gardasil9. Follow-ups of trial subjects will be carried out for 66 months after the last vaccination. The primary objective of this trial is to determine if immune responses induced by our trivalent HPV vaccine candidate against HPV types 16, 18 and 58 in females aged 9-17 years in the three-dose group or females aged 9-14 years in the two-dose group are non-inferior to those in females aged 18-26 years receiving our trivalent HPV vaccine candidate, and to determine if immune responses induced by our trivalent HPV vaccine candidate in females aged 18-26 years are non-inferior to those induced by Gardasil9 in females aged 18-26 years. As of the Latest Practicable Date, we have completed dosing of subjects and follow-ups for up to 12 months post the first dose.

We currently expect that we will complete follow-up visits of subjects for 24 months post the first dose by the end of 2024, and we then plan to include available data from the immuno-bridging trial in our BLA submitted to the NMPA in the same year for our trivalent HPV vaccine candidate to protect against HPV and associated diseases in females.

Material Communications and Next Steps

We obtained IND approval for our trivalent HPV vaccine candidate in September 2017. After the conclusion of its phase II study, we conducted several rounds of communications with the CDE with respect to the phase III trial design and regulatory pathway for our trivalent HPV vaccine candidate. During these communications, the CDE gave comments on our clinical trial design, and we had no difficulties in addressing their comments and modified our clinical trial design accordingly. The CDE was satisfied that the relevant endpoints of the phase I and phase II trials of our trivalent HPV vaccine candidate had been met, and we received no objection from the CDE on our plan to submit a BLA for our trivalent HPV vaccine candidate once we have achieved success in the planned interim analysis after accumulation of the prescribed number of disease endpoint (CIN2+) cases. We currently plan to submit the BLA for our trivalent HPV vaccine candidate for use in females aged 9 to 45 years to the NMPA by the end of 2024.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND MARKET OUR TRIVALENT HPV VACCINE CANDIDATE.

Our Phase III-Stage Nonavalent HPV Vaccine Candidate – Our Core Product

Overview

Our nonavalent HPV vaccine candidate is designed to protect against HPV types 6, 11, 16, 18, 31, 33, 45, 52 and 58. Currently, we are conducting phase III clinical trials with our nonavalent HPV vaccine candidate in both females and males in China. As of the Latest Practicable Date, Gardasil9 is the only nonavalent HPV vaccine approved for use in females and males in China and globally. We believe our nonavalent HPV vaccine candidate has the potential to become one of the first homegrown nonavalent HPV vaccines approved for use in females in China. Observing the need for HPV vaccination in men, we are the first Chinese vaccine developer to have commenced a pivotal efficacy trial of nonavalent HPV vaccine candidate in males in China. We aim to expand into international markets in the future, with a phase III clinical trial in females ongoing in Indonesia.

Key Advantages

We believe our nonavalent HPV vaccine candidate has the following advantages:

- ***Reduced time to market with policy support.*** Our nonavalent HPV vaccine is one of the few homegrown nonavalent HPV vaccine candidates that have reached a phase III efficacy trial in China. In addition, the CDE published the HPV Vaccine Guideline in July 2023. Pursuant to this guideline, if a vaccine company's first-generation HPV vaccine achieves clinical success in phase III efficacy trial with disease endpoints as the primary endpoint, such as CIN2+, the company's next-generation HPV vaccine candidate may be entitled to accelerated approval using efficacy data against virological endpoints, such as 12-month persistent infection (PI12). This will greatly shorten the time to market for the next-generation HPV vaccine candidates as it normally takes years longer to accumulate the prescribed number of disease endpoint cases compared to virological endpoint cases. Since the phase III clinical trial of our trivalent HPV vaccine candidate used disease endpoints, CIN2+ included, as the primary endpoint, our nonavalent HPV vaccine candidate as the next-generation product is potentially eligible for the accelerated approval pathway under the HPV Vaccine Guideline.

- ***Broader indication coverage.*** In addition to females, high-risk HPV types can also infect males and cause serious diseases, such as penile, anal, head and neck cancers. Moreover, males can serve as an HPV carrier and transmit HPV to females. Recognizing the significance of HPV infection in males as a public health concern, many experts have called for HPV vaccination for males to reduce HPV transmission and risk of developing associated cancers. However, as of the Latest Practicable Date, Gardasil and Gardasil9, despite being approved for use in males in many countries, have yet to receive approval for use in males in China. Considering the importance of preventing HPV infections in males and the market need arising therefrom, we initiated a clinical development program for our nonavalent HPV vaccine candidate in males, and the only domestic vaccine developer to launch a phase III efficacy trial with nonavalent HPV vaccine candidate in males, according to Frost & Sullivan. Therefore, we believe our nonavalent HPV vaccine candidate has the potential to be the first homegrown HPV vaccine approved for use in males in China, and we are well-positioned to capture a significant market share of this white space opportunity.

- ***Expansion into overseas market.*** We initiated a phase III clinical trial with our nonavalent HPV vaccine candidate in females in Indonesia in November 2023, with the aim of expanding the market opportunities for our vaccine candidate in selected countries. As of the Latest Practicable Date, we have completed enrollment and first dosing of subjects in our phase III clinical trial in Indonesia. We expect to file a BLA for use in females in Indonesia in 2025.

- ***A safety and immunogenicity profile comparable to that of Gardasil9.*** Our nonavalent HPV vaccine candidate has demonstrated a favorable safety and immunogenicity profile in clinical trials. In a head-to-head phase I study, our vaccine candidate demonstrated a comparable safety and immunogenicity profile versus Gardasil9. Moreover, in an immuno-bridging study, our vaccine candidate induced non-inferior neutralizing antibody responses against all vaccine HPV types as compared to Gardasil9, with GMTs against six of the nine vaccine HPV types numerically higher in subjects receiving our nonavalent HPV vaccine candidate compared to Gardasil9.

Summary of Clinical Trials

Overview

In September 2018, we obtained IND approval for clinical trials of our nonavalent HPV vaccine candidate in females. The IND approval is an umbrella approval that covers all three clinical trial phases and does not specify the target age of female subjects. We have completed the phase I and phase II clinical trials with our nonavalent HPV vaccine candidate in females aged 18 to 45 years and 20 to 45 years, respectively. We have also commenced a phase III clinical trial in December 2020 in females aged 20 to 45 years. In order to expand the population coverage of our nonavalent HPV vaccine candidate, we are also conducting an immuno-bridging study with our nonavalent HPV vaccine candidate in females aged 9 to 26 years. Furthermore, in order to explore market opportunities in selected countries, we are conducting a phase III clinical trial with our nonavalent HPV vaccine candidate in females in Indonesia.

Observing the need for HPV vaccination in males, we filed an IND application with the NMPA and obtained approval therefrom in December 2020 to initiate clinical trials of our nonavalent HPV vaccine candidate in males, with a phase I clinical trial completed in September 2022. Thereafter, we had communications with the CDE regarding our plan and design for the phase III clinical trial of our nonavalent HPV vaccine candidate in males, and incorporated their comments as appropriate and to their satisfaction. We initiated the phase III clinical trial with our nonavalent HPV vaccine candidate in males in December 2022 and have completed subject enrollment and follow-up visits of most subjects for seven months post the first dose as of the Latest Practicable Date.

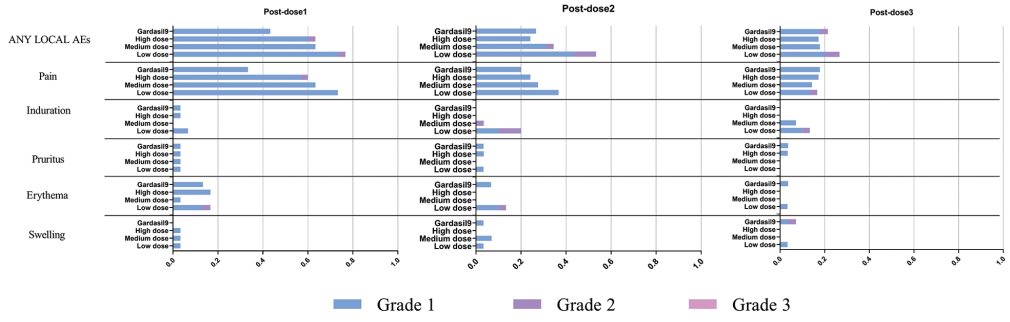
Phase I Clinical Trial in Females

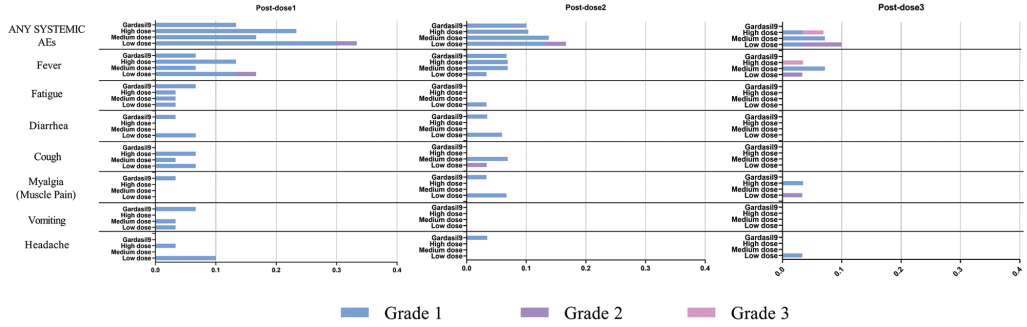
- ***Trial design***. In September 2019, we commenced a phase I clinical trial in females with our nonavalent HPV vaccine candidate. The clinical trial was divided into two parts. The first part of the trial was a single-center and open-label study, which enrolled 40 healthy females aged 27 to 45 years who were randomized to receive a three-dose regimen of our nonavalent HPV vaccine candidate. The second part of the trial was a single-center, dose-escalation, randomized and blinded (as to intra-group) study, with Gardasil9 as the positive control, which were carried out in 120 healthy females aged 18 to 26 years in the

enrolment order of low-dose (220 μg/0.5 ml), medium-dose (270 μg/0.5 ml), and high-dose (360 μg/0.5 ml) group. Forty subjects were enrolled in each dose group and were randomized at a 3:1 ratio to receive a three-dose regimen of our nonavalent HPV vaccine candidate or Gardasil9, respectively. Trial subjects were followed for a period of one month after the third dose. The primary objective of this trial was to evaluate the safety and tolerability profile of our nonavalent HPV vaccine candidate, and the secondary objective was to explore its immunogenicity profile. The phase I clinical trial was completed in May 2020.

- ***Safety profile.*** Our nonavalent HPV vaccine candidate exhibited a favorable safety profile in the phase I clinical trial, with the majority of AEs reported being Grade I or II. In the first part of the trial, no serious AEs were reported. In the second part of the trial, one serious AE was reported in the medium-dose group, which was not related to the vaccine as determined by the PI. Overall, there were no statistical differences in the incidences of AEs reported among the medium-dose group, high-dose group and the control group. The following graphs illustrate the incidences of AEs reported in the second part of the phase I clinical trial of our nonavalent HPV vaccine candidate.

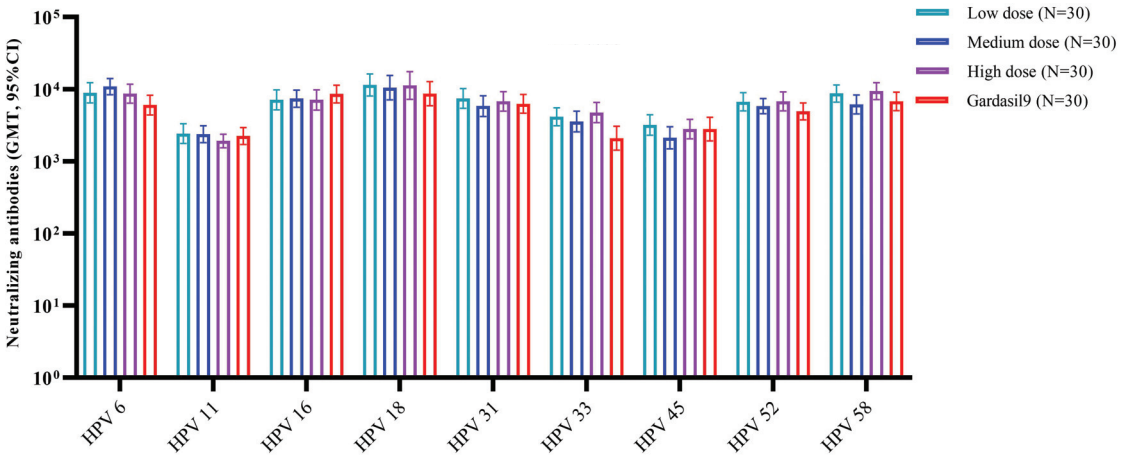
Safety data from phase I study of our nonavalent HPV vaccine part II in females aged 18-26





- ***Immunogenicity profile.*** Our nonavalent HPV vaccine candidate manifested a strong immunogenicity profile in its phase I trial. In the second part of the trial, at one month post third dose, the GMTs of neutralizing antibodies against each vaccine HPV type induced by our nonavalent HPV vaccine candidate across all three doses were comparable to those elicited by Gardasil9.

Phase I study of our nonavalent HPV vaccine (part II) in females aged 18-26 immunoggenicity data at month 1 post dose 3

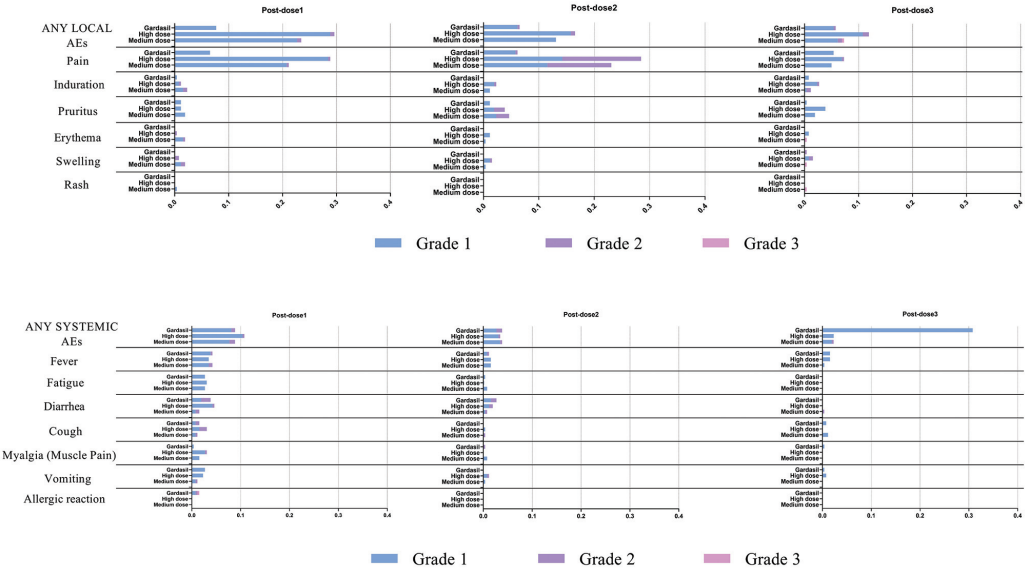


Phase II Clinical Trial in Females

- ***Trial design.*** Following the positive results from phase I clinical trial in females of our nonavalent HPV vaccine candidate, we initiated a phase II clinical trial in females in May 2020. This trial is a single-center, dose-searching, blinded, randomized and Gardasil-controlled study. Based on the results from phase I clinical trial, the medium-dose (270 μg/0.5 ml) and high-dose (360 μg/0.5 ml) of our nonavalent HPV vaccine candidate were selected for further study in this trial. The trial enrolled 780 healthy females aged 20 to 45 years, who were stratified at a ratio of 1:1 into two age subgroups (i.e. 20-30 years of age and 31-45 years of age), and each subgroup was randomized at a 1:1:1 ratio to receive the medium-dose vaccine candidate, high-dose vaccine candidate or the positive control (Gardasil), respectively. Each subject was administered our nonavalent HPV vaccine candidate or Gardasil in accordance with a 3-dose regimen at months 0, 2 and 6. Trial subjects were followed for a period of one month after the third vaccination. The primary objective of this trial was to evaluate the safety profile of our nonavalent HPV vaccine candidate, and to determine the optimal ratio of the antigens included in the vaccine candidate. The secondary objective of this trial was to demonstrate that the levels of neutralizing antibodies to vaccine HPV types 31, 33, 45, 52 and 58 elicited by our nonavalent HPV vaccine candidate with the chosen optimal antigen ratio are superior to those induced by Gardasil. The trial was completed in December 2021.

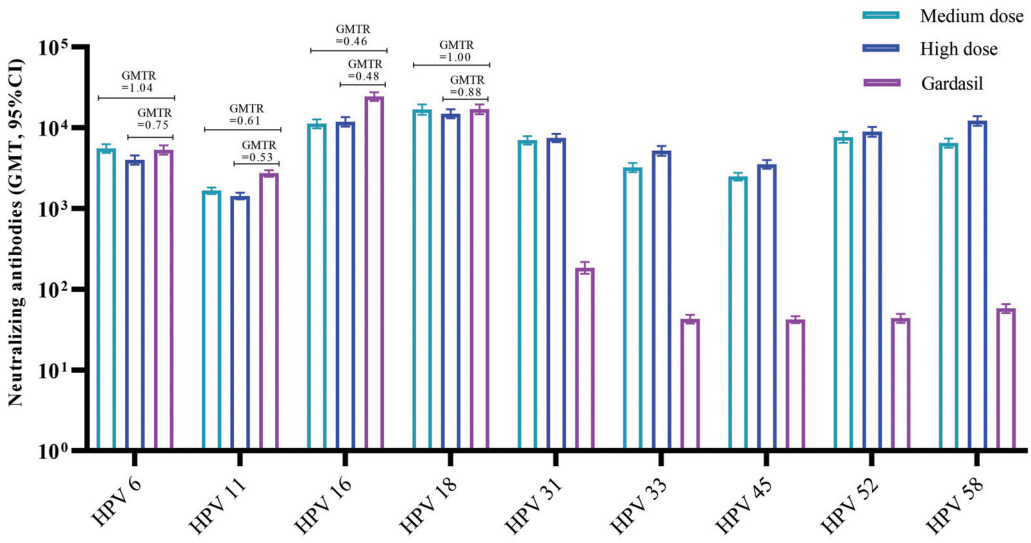
- ***Safety profile.*** In the phase II clinical trial in females, AEs reported were primarily Grade I or II in severity, with most of them being pain and fever. There were no statistically significant differences observed in the incidences of Grade III or above AEs, Grade III or above adverse reactions and serious AEs among the vaccine groups and control group. The following graphs illustrate the incidences of AEs reported in the phase II clinical trial in females of our nonavalent HPV vaccine candidate.

Safety data from phase II study of our nonavalent HPV vaccine in females aged 20-45



- ***Immunogenicity profile***. Our nonavalent HPV vaccine candidate demonstrated that it could elicit strong immune responses against all the HPV types it targets. GMTs of neutralizing antibodies elicited by the medium dose (the target dose we used in phase III clinical trial) of our nonavalent HPV vaccine candidate against all shared HPV types except HPV type 16 are non-inferior to those by Gardasil. For the HPV types covered by our nonavalent HPV vaccine candidate but not by Gardasil, including HPV types 31, 33, 45, 52 and 58, our nonavalent HPV vaccine candidate elicited neutralizing antibody responses superior to those by Gardasil. The following graph illustrates the immunogenicity data from the phase II clinical trial of our nonavalent HPV vaccine candidate versus Gardasil.

Phase II study of our nonavalent HPV vaccine in females aged 20-45 immunoggenicity data at month 1 post dose 3



Ongoing Phase III Clinical Trial in Females in China

In December 2020, we commenced a phase III clinical trial in females with our nonavalent HPV vaccine candidate in China. The clinical trial is a multi-center, randomized, blind and Gardasil-controlled study, which enrolled approximately 12,000 healthy females. Healthy females aged 20-45 years eligible for the trial were stratified at a 2:2:1 ratio into three age subgroups (namely 20-26 years of age, 27-35 years of age and 36-45 years of age), and each subgroup was randomized at a 1:1 ratio to receive our nonavalent HPV vaccine candidate or Gardasil according to a three-dose schedule at months 0, 2 and 6, respectively. Following the third dose, we plan to conduct follow-ups of trial subjects for a period of up to 54 months.

The primary objective of this clinical trial is to demonstrate administration of our nonavalent HPV vaccine candidate reduces the combined incidence of HPV types 6/11/16/18/31/33/45/52/58-related high-grade Cervical Intraepithelial Neoplasia (CIN 2/3), Adenocarcinoma in Situ (AIS), Invasive Cervical Carcinoma, high-grade Vulvar Intraepithelial Neoplasia (VIN 2/3), high-grade Vaginal Intraepithelial Neoplasia (VaIN 2/3), high-grade Anal Intraepithelial Neoplasia (AIN 2/3), vulvar cancer, vaginal cancer or anal cancer, and to demonstrate administration of our nonavalent HPV vaccine candidate reduces the combined incidence of HPV types 6/11/16/18/31/33/45/52/58-related 12-month persistent infection (PI12), and cervical, vulvar, vaginal and anal lesions. The secondary objective of this clinical trial includes evaluation of the safety and immunogenicity profile of our nonavalent HPV vaccine candidate, demonstration of non-inferiority of GMTs of antibody responses induced by our nonavalent HPV vaccine candidate as compared to Gardasil against HPV types 6/11/16/18, and evaluation of efficacy of our nonavalent HPV vaccine candidate against combined incidences of HPV types 6/11/16/18/31/33/45/52/58-related 6-month persistent infection (PI6).

In August 2022, we completed dosing of all trial subjects enrolled. As of the Latest Practicable Date, we have completed follow-up visits of all trial subjects for 24 months post the first dose and are in the process of carrying out follow-up visits for 30 and 36 months post the first dose, with follow-up visits of most subjects for 30 months post the first dose completed.

Ongoing Phase III Clinical Trial in Females in Indonesia

In September 2023, we obtained CTA approval from the Indonesian BPOM to initiate a phase III clinical trial in females aged 18-45 years in Indonesia. The phase III clinical trial was initiated in November 2023. The Indonesia phase III clinical trial is a multi-center, randomized, observer-blind, and Gardasil9-controlled study. A total of approximately 1,260 healthy female participants aged 18 to 45 years will be enrolled and randomized at a 1:1 ratio to receive our nonavalent HPV vaccine candidate or Gardasil9 according to a three-dose schedule at months 0, 2 and 6. The primary objective of this clinical trial is to determine if the neutralizing antibody responses induced by our nonavalent HPV vaccine candidate is non-inferior to those induced by Gardasil9, and the secondary objective of this clinical trial is to evaluate the IgG antibody responses and persistence of immune responses induced by our nonavalent HPV vaccine candidate, as well as safety of our nonavalent HPV vaccine candidate.

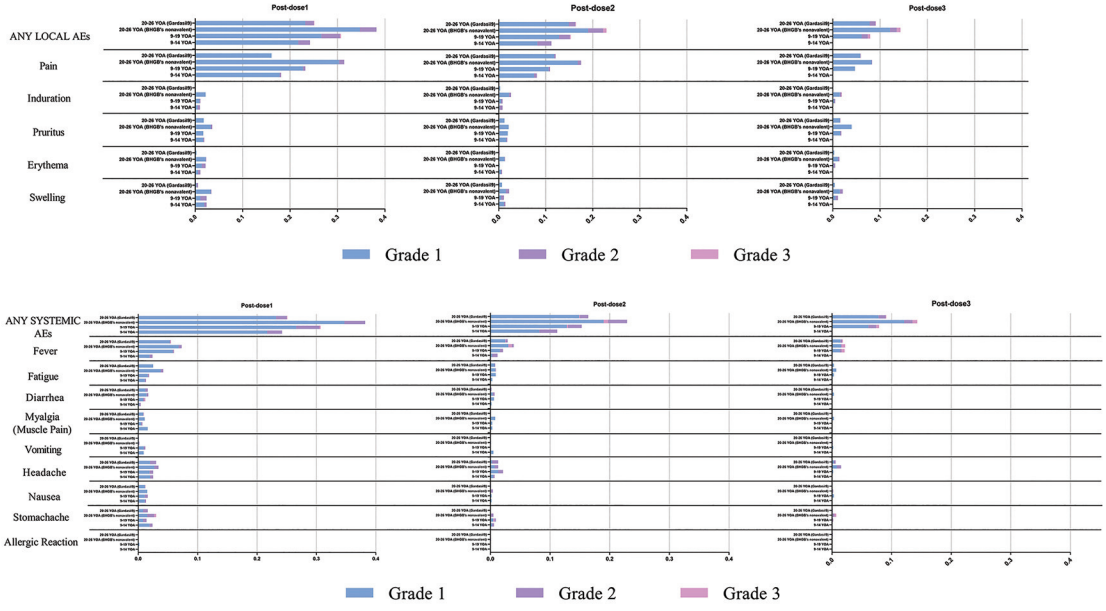
As of the Latest Practicable Date, we have completed enrollment of all the 1,260 subjects and we currently expect to rapidly advance the trial and submit a BLA application in Indonesia in 2025.

Ongoing Immuno-bridging Study in Adolescent Girls

- ***Trial design.*** In order to evaluate the safety, immunogenicity and tolerability of our nonavalent HPV vaccine candidate in young females aged 9 to 19 years, we initiated an immuno-bridging trial in March 2022. The clinical trial is a single-center study, and is designed to enroll approximately 2,750 females, of whom 640 were allocated to the 9-14 years of age group, 640 to the 9-19 years of age group, and 1,470 to the 20-26 years of age group. The 9-14 years of age group received our nonavalent HPV vaccine candidate according to a 2-dose schedule at months 0 and 6, and the 9-19 years of age group received our nonavalent HPV vaccine candidate according to a three-dose schedule at months 0, 2 and 6. Subjects in the 20-26 years of age group were randomized at a 1:1 ratio to receive a 3-dose regimen (0, 2, 6 months) of our nonavalent HPV vaccine candidate or Gardasil9. Follow-ups of trial subjects will be carried out for 66 months after the last dose. The primary objective of this trial is to determine if immune responses induced by our nonavalent HPV vaccine candidate in females aged 20-26 years are non-inferior to those elicited by Gardasil9, and to determine if immune responses induced by our nonavalent HPV vaccine candidate in females aged 9-19 years receiving a three-dose regimen or females aged 9-14 years receiving a two-dose regimen are non-inferior to those in females aged 20-26 years receiving our nonavalent HPV vaccine candidate.

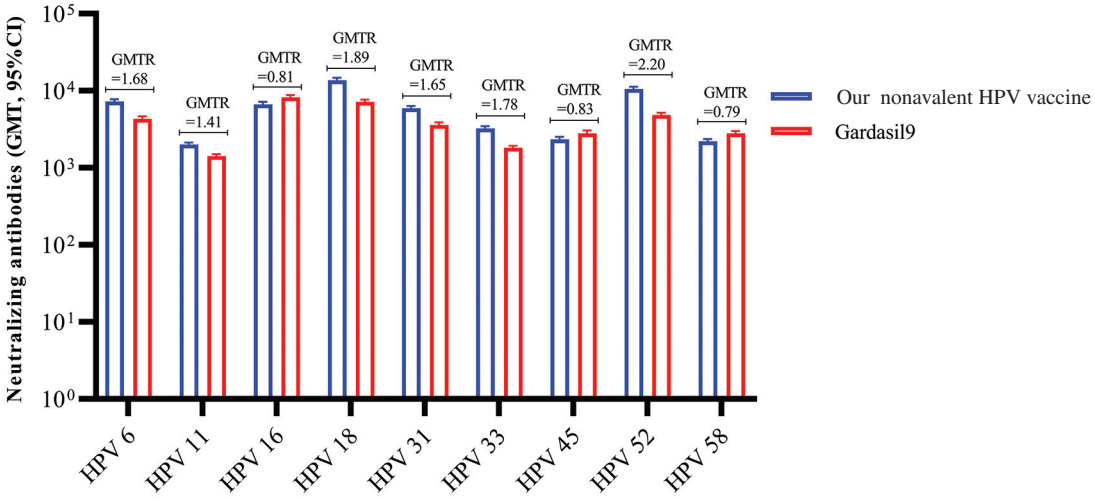
- ***Safety profile.*** Our nonavalent HPV vaccine candidate exhibited a favorable safety profile in females aged 9-26 years, with the majority of AEs reported being Grade I or II. There were very few episodes of Grade III or above AEs observed in the trial, and only two subjects aged 20-26 years (one receiving our nonavalent HPV vaccine candidate, and the other receiving Gardasil9) withdrew from the study due to AEs that occurred. The following graphs illustrate the incidences of AEs reported in the immuno-bridging trial of our nonavalent HPV vaccine candidate.

Safety data from immunobridging study of our nonavalent HPV vaccine in females aged 9-26



- ***Immunogenicity profile.*** Results of a non-inferiority analysis indicate that immune responses induced by our nonavalent HPV vaccine candidate at one month post the last vaccination against all vaccine HPV types are non-inferior to those elicited by Gardasil9. For six of the nine vaccine HPV types, our nonavalent HPV vaccine candidate generated numerically higher neutralizing antibody titers versus Gardasil9. The following graph illustrates the neutralizing antibody GMTs elicited by our nonavalent HPV vaccine candidate versus Gardasil9 in females aged 20-26 years in the immuno-bridging trial.

Immunobridging study of Our nonavalent HPV vaccine in females
Immunogenicity data at Day 30 post dose 3 (20-26 years of age)

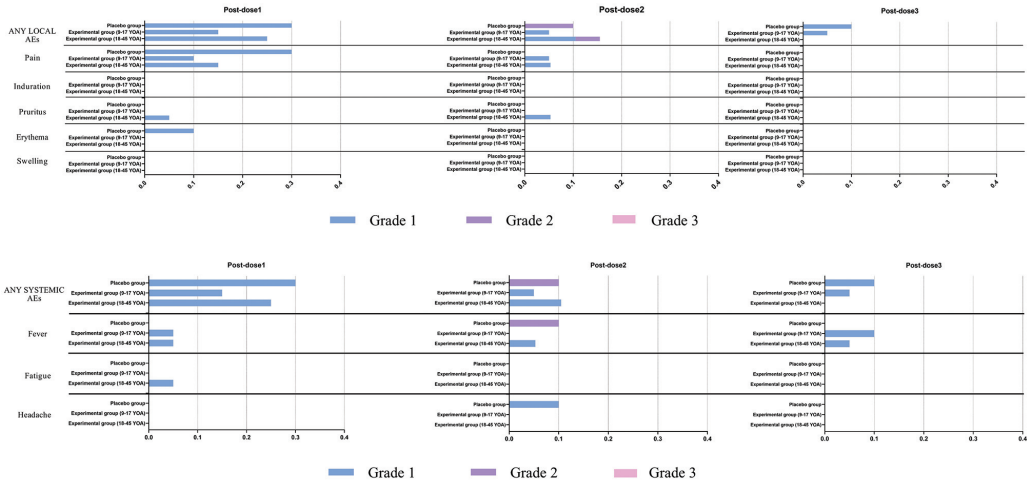


Phase I Clinical Trial in Males

- ***Trial design***. We initiated a phase I clinical trial in males with our nonavalent HPV vaccine candidate in August 2021. The clinical trial is a single-center, randomized, double-blind and placebo-controlled study, which enrolled 50 males aged 9 to 45 years. Half of the subjects enrolled are 9-17 years of age, and the remaining half are 18-45 years of age. Subjects in each age group were randomized at a 4:1 ratio to receive our nonavalent HPV vaccine candidate or the placebo according to a three-dose schedule at months 0, 2 and 6. Trial subjects were followed for a period of 6 months after the third vaccination. The primary objective of this clinical trial was to evaluate the safety and tolerability of our nonavalent HPV vaccine candidate in males, and the secondary objective was to explore the immunogenicity profile of our nonavalent HPV vaccine candidate in males. The clinical trial was completed in September 2022.

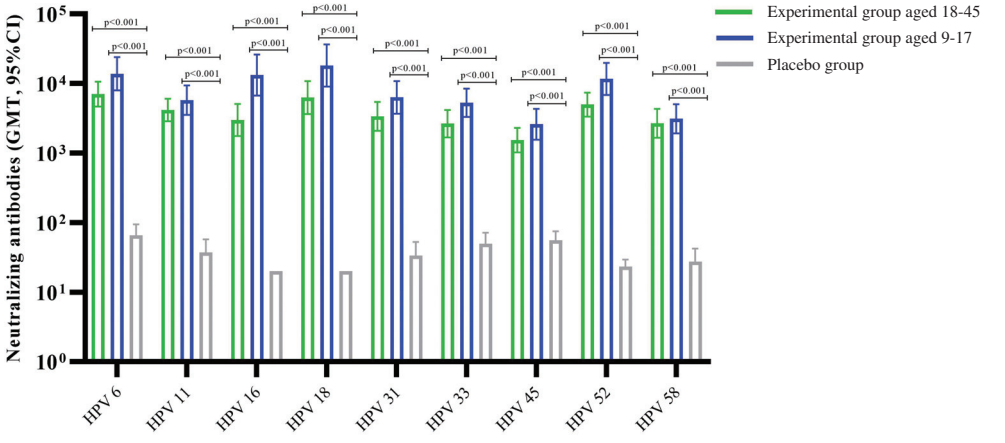
- ***Safety profile***. Overall, the safety profile of our nonavalent HPV vaccine candidate observed in males was consistent with that in females. The majority of AEs reported were Grade I or II, with only two episodes of Grade III or above AEs observed in subjects receiving our nonavalent HPV vaccine candidate which were not related to the vaccine candidate as determined by the PI. There were no serious AEs or AEs that led to subject withdrawal reported. The following graphs illustrate the safety profile in males of our nonavalent HPV vaccine candidate observed in the phase I clinical trial.

Safety data from phase I study of our nonavalent HPV vaccine in males



- ***Immunogenicity profile***. In the phase I clinical trial in males, our nonavalent HPV vaccine candidate elicited strong neutralizing antibody responses against all vaccine HPV types in both age groups as compared to the placebo group, indicating a favorable immunogenicity profile for our vaccine candidate. The following graph depicts neutralizing antibody GMTs induced by our nonavalent HPV vaccine candidate versus the placebo in males in the phase I clinical trial.

Phase I study of our nonavalent HPV vaccine in males aged 9-45 immunoggenicity data at month 1 post dose 3



Ongoing Phase III Clinical Trial in Males

Following the positive results from the phase I clinical trial in males of our nonavalent HPV vaccine candidate, we submitted an updated III trial protocol for the nonavalent HPV vaccine candidate in males to the CDE in July 2022, which included the safety and immunogenicity data we collected from clinical trials of our nonvalent HPV vaccine candidate in males and females. Thereafter, we had several rounds of communications with the CDE with respect to the trial design and regulatory pathway for our nonavalent HPV vaccine candidate for use in males. During these communications, we received no objection from the CDE on our plan to proceed to a phase III clinical trial in males in China.

We commenced the phase III clinical trial with our nonavalent HPV vaccine candidate in December 2022. The clinical trial is a multi-center, randomized, double-blind and placebo-controlled study, which intended to enroll approximately 9,000 healthy males aged 18 to 45 years that will be randomized at a 1:1 ratio to receive a 3-dose regimen (0, 2, 6 months) of our nonavalent HPV vaccine candidate or the placebo. Subjects enrolled will be classified into two subgroups, namely the Heterosexual Men (HM) subgroup and Men Having Sex with Men (MSM) subgroup. Approximately 7,800 subjects will be enrolled into the HM subgroup, and approximately 1,200 subjects will be enrolled into the MSM subgroup. Following the third dose, we plan to conduct follow-ups of trial subjects for up to 66 months. The primary objective of this clinical trial is to demonstrate administration of our nonavalent HPV vaccine candidate reduces the incidences of HPV types 6/11/16/18/31/33/45/52/58-related genital warts, anal intraepithelial neoplasia ("AIN"), anal cancer, penile intraepithelial neoplasia, perianal intraepithelial neoplasia, perineum intraepithelial neoplasia, penile cancer, and perianal cancer, as well as to demonstrate administration of our nonavalent HPV vaccine candidate reduces the incidences of HPV types 6/11/16/18/31/33/45/52/58-related AIN and anal cancer in the MSM subgroup. The secondary objective of this clinical trial includes evaluation of the safety and immunogenicity profile of our nonavalent HPV vaccine candidate, and evaluation of efficacy of our nonavalent HPV vaccine candidate against incidence of HPV types 6/11/16/18/31/33/45/52/58-related 6-month persistent infections (PI6) and PI12, as well as efficacy against HPV types 6/11/16/18/31/33/45/52/58-related AIN and anal cancer in the HM subgroup.

As of the Latest Practicable Date, we have completed subject enrollment and follow-up visits of most subjects for seven months post the first dose. We plan to submit a BLA for our nonavalent HPV vaccine candidate for prevention of HPV infections and associated diseases in males to the NMPA in 2027.

Material Communications and Next Steps

Female Indication in China

We obtained IND approval for clinical trials of our nonavalent HPV vaccine candidate in females in September 2018, and have successfully completed the phase I and phase II clinical trials thereafter. Following phase II study, we conducted several rounds of communications with the CDE. During these communications, the CDE made comments on the design of our phase III trial in females, and we had no difficulties in addressing their comments and modified our trial design accordingly. We are in the process of conducting a phase III clinical trial in females and an immuno-bridging study in adolescent girls in China.

We believe our nonavalent HPV vaccine candidate for use in females is potentially eligible for the accelerated approval pathway under the HPV Vaccine Guideline if we have achieved success in the phase III efficacy trial of our trivalent vaccine candidate using the CIN2+ disease endpoint in China. As such, we currently expect to submit a BLA in China for our nonavalent HPV vaccine candidate for prevention of HPV infections and associated diseases in females in 2025.

Male Indication in China

In September 2020, we submitted the IND application for clinical trials of our nonavalent HPV vaccine candidate in males to the NMPA. The IND application dossier included draft protocols for a phase I and a phase III clinical trial with our nonavalent HPV vaccine candidate in males. The NMPA made comments on our draft protocols, and we modified them accordingly. Thereafter, we obtained IND approval for clinical trials of our nonavalent HPV vaccine candidate in males in December 2020.

Following completion of the phase I clinical trial in males, we submitted an updated protocol for phase III trial of the nonavalent HPV vaccine candidate in males to the CDE in July 2022, which included summary of the immunogenicity and safety data we collected from the phase I clinical trial of our nonavalent HPV vaccine candidate in males and females, and phase II clinical trial of our nonavalent HPV vaccine candidate in females. In September 2022, we received comments from the CDE on the updated protocol for phase III trial of our nonavalent HPV vaccine candidate in males. We submitted our responses thereto in October 2022, and modified our trial protocol in accordance with the CDE's recommendations and to their satisfaction. We currently expect to submit a BLA for our nonavalent HPV vaccine candidate for prevention of HPV infections and associated diseases in males in 2027.

Development for Global Market

We have also been actively exploring opportunities to realize the commercial potential of our nonavalent HPV vaccine candidate in global markets, especially in less developed countries. In August 2023, we initiated communications with the Indonesian BPOM to explore the possibility of conducting a phase III clinical trial in females of our nonavalent HPV vaccine candidate in Indonesia. After reviewing the CTA we submitted that includes data from the phase I, phase II and the immuno-bridging clinical trials of our nonavalent HPV vaccine candidate in females, the Indonesian BPOM granted CTA approval for our phase III clinical trial in females aged 18-45 years in Indonesia in September 2023. We currently expect to submit a BLA for our nonavalent HPV vaccine candidate to the Indonesian BPOM for prevention of HPV infections and associated diseases in females in 2025.

In May 2021, we entered into collaboration agreements with R-Pharm, JSC (the "**R-Pharm**") on the development, manufacturing and commercialization of our nonavalent HPV vaccine candidate in Russia ("**R-Pharm Collaboration**"). In early 2022, the Russia-Ukraine conflict broke out and the development of our nonavalent HPV vaccine candidate in Russia has since stalled. In view of the above, R-Pharm and we entered into a termination agreement to terminate the R-Pharm Collaboration in October 2023. As of the Latest Practicable Date, all legal obligations under the R-Pharm Collaboration had been released. The termination explicitly released and discharged any liability or claim against each party and did not involve payment of termination fees.

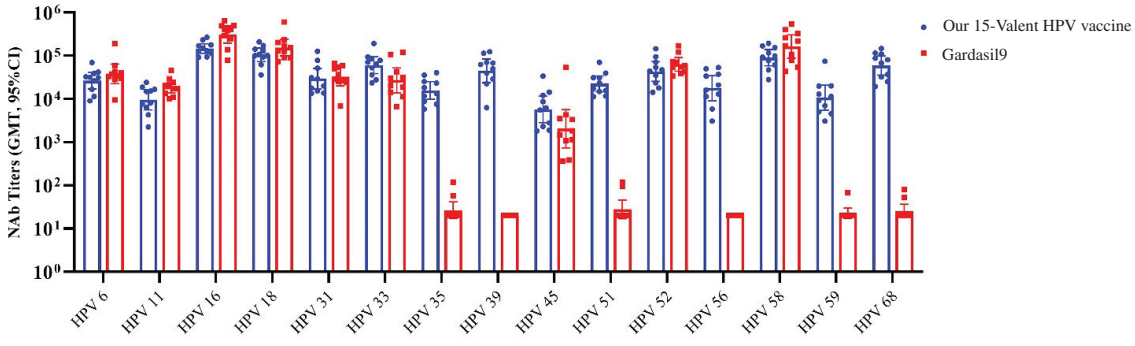
WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND MARKET OUR NONAVALENT HPV VACCINE CANDIDATE.

Our Phase I-ready 15-valent HPV Vaccine Candidate

We are collaborating with Chengda Biotechnology on the worldwide development, manufacturing and commercialization of a 15-valent HPV vaccine candidate which is designed to protect against all of the high-risk HPV types identified by the IARC (i.e. HPV types 16/18/31/33/35/39/45/51/52/56/58/59/68) as well as HPV types 6/11. According to Frost & Sullivan, our 15-valent HPV vaccine candidate can potentially offer protection against no less than 96% of cervical cancer cases and is of the highest valency among all HPV vaccines worldwide that are commercially available or have obtained IND approval as of the Latest Practicable Date. For details on the collaboration arrangement with Chengda Biotechnology, see "– Our Collaboration Agreement."

We have conducted extensive pre-clinical studies with our 15-valent HPV vaccine candidate. In mice, our 15-valent HPV vaccine candidate elicited strong immune responses against each vaccine HPV type. GMTs of neutralizing antibodies induced by our 15-valent HPV vaccine candidate and Gardasil9 against all nine shared HPV types in sera from four weeks post third dose were comparable. For the six non-shared HPV types (i.e. 35, 39, 51, 56, 59 and 68), our 15-valent HPV vaccine candidate generated significantly higher levels of neutralizing antibodies. The following graph illustrates the immunogenicity data we collected from a mice study with our 15-valent HPV vaccine candidate versus Gardasil9.

Neutralizing antibodies induced by our 15-valent HPV vaccine in mice at week 4 post dose 3



We and Chengda Biotechnology obtained IND approval for the 15-valent HPV vaccine candidate in March 2022. Pursuant to our collaboration agreement, Chengda Biotechnology will be responsible for the clinical development, manufacturing and commercialization of the 15-valent HPV vaccine candidate. We have the clinical samples of the 15-valent HPV vaccine candidate ready for phase I and phase II trials. Pursuant to the 15-valent HPV Vaccine Co-development Agreement, Chengda Biotechnology is expected to initiate a phase I clinical trial in 2024.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND MARKET OUR 15-VALENT HPV VACCINE CANDIDATE.

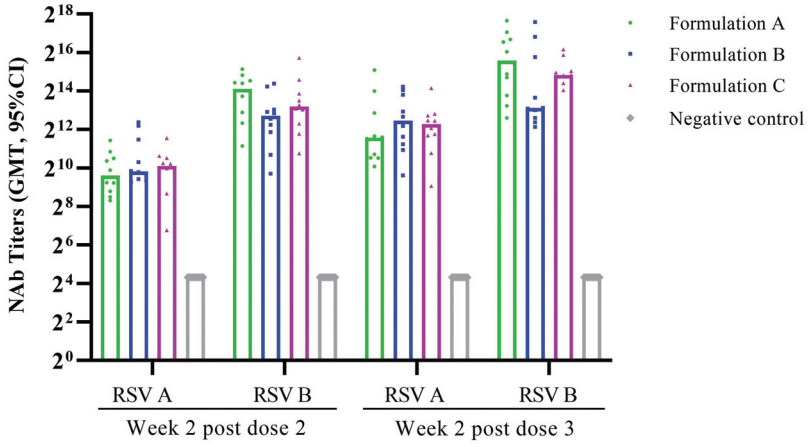
Other Innovative Vaccine Candidates

RSV Vaccine

Human respiratory syncytial virus (RSV) is highly contagious and can cause severe respiratory symptoms such as bronchiolitis, pneumonia, bronchitis and asthma. There are two major antigenic subtypes of human RSV (A and B) determined largely by antigenic drift and duplications in RSV-G sequences. Children under five years of age and the elderly over 65 years of age are among the most vulnerable to severe RSV. According to Frost & Sullivan, RSV infection is one of the leading causes of death in children aged 1 month to 1 year. For the elderly, RSV infection often leads to worsening obstructive pulmonary disease with cardiopulmonary complications. As of the Latest Practicable Date, there are only two RSV vaccines approved, namely GSK's Arexvy and Pfizer's Abrysvo, with a combined sales revenue of US$1,257.5 million in the third quarter of 2023. Both of them are not approved in China as of the Latest Practicable Date. As of the same date, there are only one RSV vaccine candidate under clinical development in China.

We are developing a recombinant RSV vaccine candidate that is designed based on the sequence of the fusion (F) glycoprotein on the surface of RSV virion. As of the Latest Practicable Date, we have established cell banks to be used for vaccine production, finished process development for cell culture and purification, and initiated formulation study on our RSV vaccine candidate. In preliminary immunogenicity studies in mouse model, our RSV vaccine candidate generated high titers of neutralizing antibodies against recombinant RSV. The following graph illustrates the immunogenicity data we collected from a mouse study.

Neutralizing antibodies induced by 3 formulations of our RSV vaccine in mice



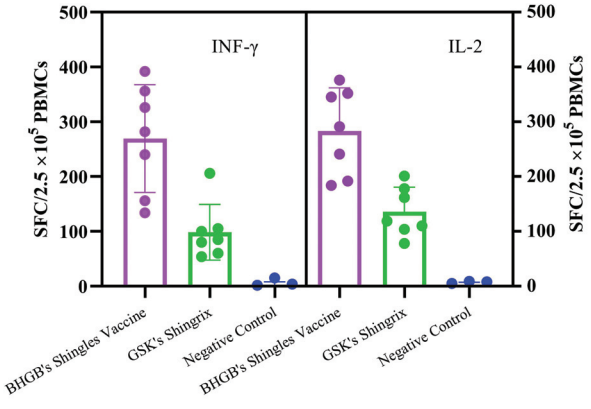
We currently expect that we will file an IND application for our recombinant RSV vaccine candidate with the NMPA by the end of 2024.

Herpes Zoster Vaccine

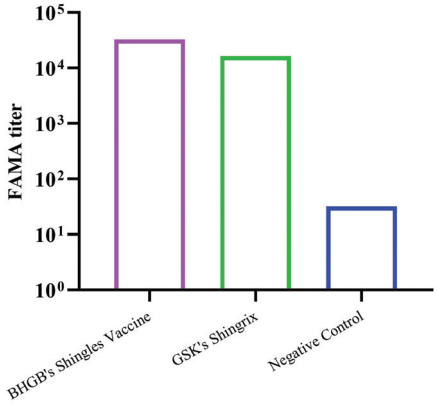
Herpes zoster is an infectious disease caused by the reactivation of varicella zoster virus ("**VZV**") in the body, which occurs when immunity to VZV declines because of aging or immunosuppression. Herpes zoster can occur in people of any age but most commonly affects the elderly. As of the Latest Practicable Date, there are only four approved herpes zoster vaccines globally, of which only two have been approved in China. Currently, GSK's Shingrix is the only approved recombinant herpes zoster vaccine globally, which had a global sales revenue of approximately US$3.2 billion in 2022. Moreover, as of the Latest Practicable Date, there are seven herpes zoster vaccine candidates under clinical development in China.

We are developing a recombinant herpes zoster vaccine candidate based on the glycoprotein E (gE) of VZV, which is the most abundantly expressed protein of VZV. Currently, we have established cell banks to be used for vaccine production, finished process development for cell culture and purification, and initiated formulation study on our herpes zoster vaccine candidate. Our recombinant herpes zoster vaccine candidate is formulated with a novel adjuvant, and preliminary immunogenicity studies in mice indicate that it is able to elicit cellular and humoral responses comparable to those induced by a licensed herpes zoster vaccine. The following graph illustrates the immunogenicity data we collected from a mouse study.

A **Levels of cytokines secreted by spleen cells of mice at week 3 post dose 2, as measured by ELISPOT**



B **Humoral responses in mice at week 3 post dose 2**

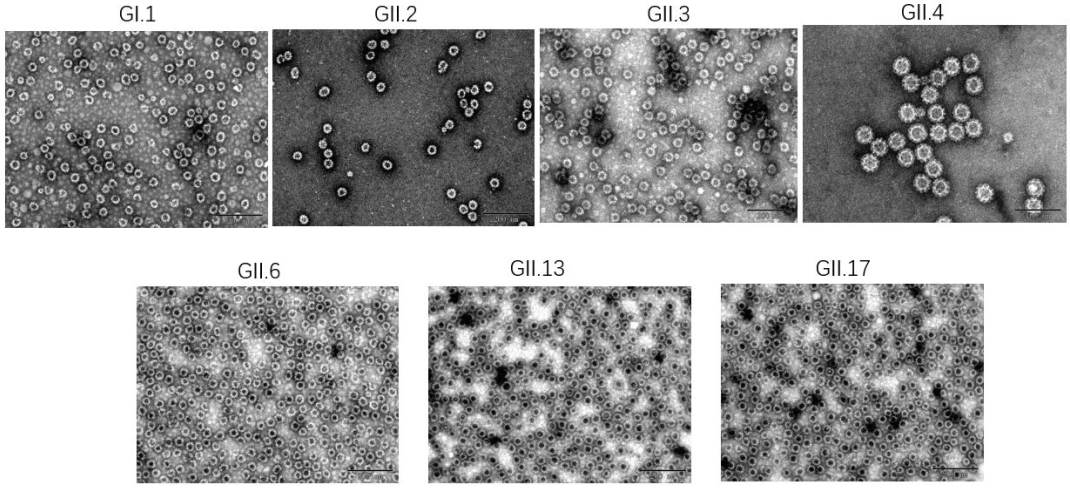


We currently plan to submit an IND application for our recombinant herpes zoster vaccine candidate to the NMPA by the end of 2024.

Heptavalent Norovirus Vaccine

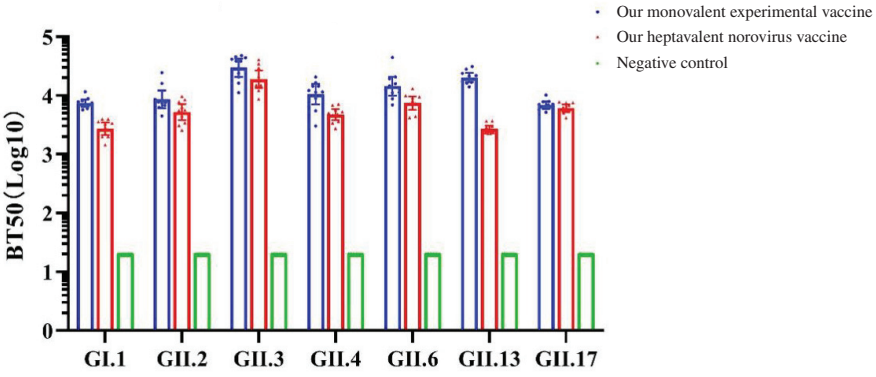
Norovirus, a genus in the Caliciviridae family, is a highly contagious virus that spreads mainly through the fecal-oral route. Norovirus has no apparent pathogenicity in healthy population but can cause severe and prolonged illnesses in immunodeficient patients, the elderly and children. The main manifestations of norovirus infection include acute onset of diarrhea and vomiting. Infectious diarrhea caused by norovirus is prevalent throughout the world, and about 60-90% of annual non-bacterial diarrhea in the United States is caused by norovirus. Although over 90% of the norovirus infection cases are associated with norovirus types GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17, the pathogen spectrum of norovirus has, and is expected to continue to evolve. There are approximately 685 million cases of norovirus infection reported each year, resulting in a large annual healthcare burden of approximately US$4.2 billion worldwide. However, as of the Latest Practicable Date, globally there is no vaccine approved for the prevention of norovirus infection and associated diseases, and there are eight norovirus vaccine candidates under clinical development globally, according to Frost & Sullivan.

We are developing a heptavalent norovirus vaccine candidate that is designed to protect against norovirus types GI.1, GII.2, GII.3, GII.4, GII.6, GII.13 and GII.17, which, compared to the norovirus vaccine candidate of the highest valency currently under clinical development, can further enhance protection against norovirus-induced acute gastroenteritis. We have completed the construction of genetically-engineered cell banks to be used for vaccine production, finished small-scale process development for cell culture and purification, and initiated pilot-scale process development and formulation study on our norovirus vaccine candidate. The following images illustrate the electron micrographs of the norovirus VLPs we obtained for the seven types targeted by our heptavalent norovirus vaccine candidate.



Preliminary immunogenicity studies indicated that our norovirus vaccine candidate can generate robust HBGA-blocking antibodies against all vaccine norovirus types, as illustrated in the graph below.

Titers of HBGA-blocking antibodies in mice at week 3 post dose 3

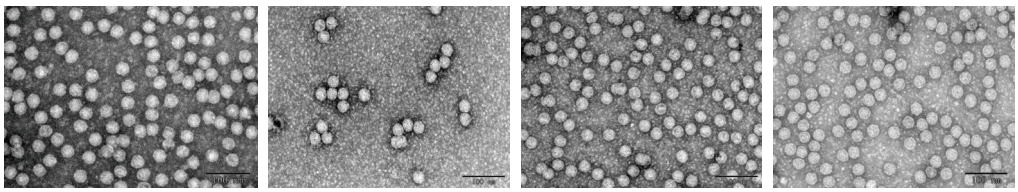


We currently plan to submit an IND application for our recombinant heptavalent norovirus vaccine candidate to the NMPA in 2025.

Quadrivalent HFMD Vaccine

Hand, foot and mouth disease (HFMD), caused by a variety of enteroviruses, is a viral disease that has been reported in most countries and regions. It is prevalent throughout the year, and predominantly seen in infants and young children. Most HFMD patients have mild symptoms, mainly fever and rash or herpes on the hands, feet and mouth. A small number of patients may also develop complications like aseptic meningitis, encephalitis, acute delayed paralysis, respiratory infections and myocarditis. There are currently three inactivated EV71 vaccines approved for the prevention of HFMD in China, but no specific antiviral drug is available for the treatment of HMFD. With the mass deployment of inactivated EV71 vaccines in recent years, the pathogen spectrum of HFMD has changed dramatically from dominance of EV71 to the co-circulation of four prevailing HFMD-causing enteroviruses, namely, EV71, CA16, CA10 and CA6, which, in aggregate, account for approximately 90% of HFMD cases in China.

We are developing a recombinant quadrivalent HFMD vaccine candidate, which is designed to protect against the four prevailing enteroviruses that cause HFMD. In preliminary immunogenicity studies in mice, our recombinant quadrivalent HFMD vaccine candidate elicited favorable immune responses against the enteroviruses it targets. The following images illustrate the electron micrographs of the VLPs we obtained for the four enteroviruses targeted by our recombinant quadrivalent HFMD vaccine candidate.



EV71 VLP | CA6 VLP | CA10 VLP | CA16 VLP

We plan to submit an IND application for our recombinant quadrivalent HFMD vaccine candidate to the NMPA after 2025.

Recombinant Polio Vaccine

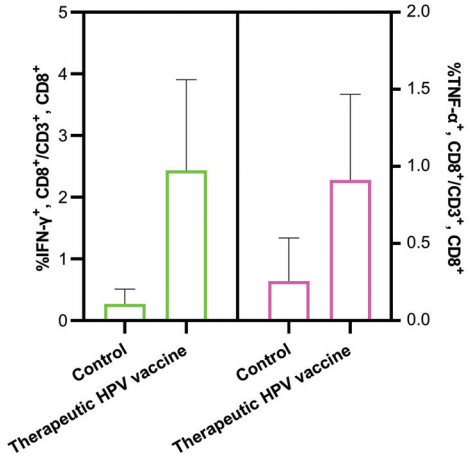
Polio, commonly known as poliomyelitis, is a disabling and life-threatening disease that poses a serious health risk largely to children under 5 years of age. Polio is caused by poliovirus ("**PV**") serotypes 1, 2 and 3. According to the WHO, development of PV vaccines with a non-infectious process, such as virus-like particle vaccines, is important for the post-certification era to reduce the risk of re-introduction of poliovirus from laboratories and vaccine production sites. We are developing a recombinant polio vaccine candidate which covers all three PV serotypes. We currently plan to submit an IND application for our recombinant polio vaccine candidate to the NMPA after 2025.

mRNA Bivalent Therapeutic HPV Vaccine Candidate

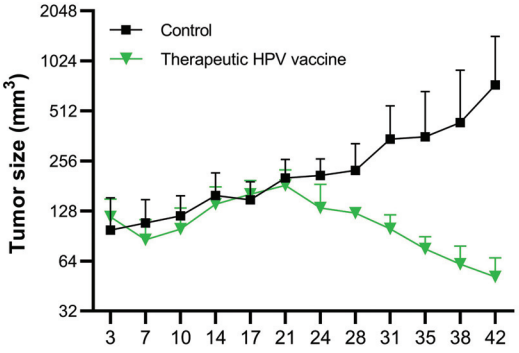
Although there are several HPV preventive vaccines approved or under clinical development globally, there is no approved specific therapeutic drugs or vaccines for patients who have been chronically infected with HPV, or even developed tumors. We are currently developing an mRNA bivalent therapeutic HPV vaccine candidate.

Since HPV types 16 and 18 are responsible for most HPV-related cancers, and oncogenes E6 and E7 play critical roles in the progression of HPV-caused carcinomas, our bivalent therapeutic HPV vaccine candidate is designed based on the sequences of E6 and E7 of HPV types 16 and 18. Preliminary animal studies indicate that our mRNA bivalent therapeutic HPV candidate can effectively activate cytotoxic CD8+ T lymphocytes (CTL) and clear tumors in mice, as illustrated in the graphs below.

A Cellular responses induced by an therapeutic mRNA HPV vaccine in mice



B Reduction in tumor size caused by injection with a therapeutic mRNA HPV vaccine in a mouse model



We currently expect to submit an IND application to the NMPA for our mRNA bivalent therapeutic HPV vaccine candidate in 2025.

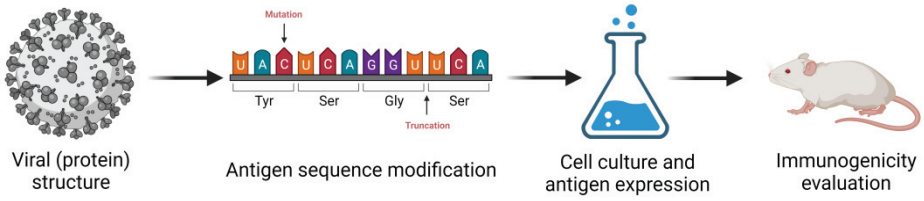
WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND MARKET OUR RSV, HERPES ZOSTER, HEPTAVALENT NOROVIRUS, QUADRIVALENT HFMD, POLIO VACCINE AND MRNA BIVALENT THERAPEUTIC HPV VACCINE CANDIDATES.

Our Technology Platforms

We have developed four technology platforms for the development of recombinant protein vaccines, which lay the foundation of our R&D activities, namely (i) structure-based antigen design platform, (ii) genetic engineering and protein expression platform, (iii) vaccine engineering platform, and (iv) potency evaluation platform. In addition, we have also established an mRNA vaccine platform, enabling us to leverage mRNA technology to further enrich our vaccine pipeline.

Structure-Based Antigen Design Platform

Our structure-based antigen design platform leverages protein structure information to design vaccine candidates with optimal physicochemical properties, biological activity and efficacy. The strength of structure-based antigen design lies in the ability to precisely engineer and optimize antigens in accordance with atomic-level protein structure information. With this technology platform, we can design antigen candidates with desirable properties based on the analysis of target protein's primary sequence, secondary structure and 3D structure. Our structure-based antigen design workflow is set forth below.



Generally, we first obtain and analyze viral (protein) structural information, based on which we will make sequence modifications to the target protein for the design of antigen candidates of interest. Thereafter, we will express and purify such antigen candidates of interest and evaluate their immunogenicity in animal models to screen for the optimal antigen design. We have leveraged this platform in the development of our vaccine candidates, details of which are set out as follows:

HPV Vaccine Candidates

We have leveraged our structure-based antigen design platform in the design of HPV L1 protein antigens. Building upon the discovery of Dr. Chen Xiaojiang, we explored the impact of amino acid sequence modifications on the expression level, stability and solubility of L1 proteins. Based on the structural information of L1 proteins and through trial-and-error, we identified the sequence modifications needed to improve the biochemical properties of L1 proteins, while also effectively retaining the immunogenicity of the HPV L1 VLPs. The antigen constructs we obtained reduced the difficulty in purifying L1 pentamers and increased purification yields, which in turn improves the quality of our HPV vaccine candidates.

RSV Vaccine Candidate

The fusion (F) protein on the surface of RSV virion plays an important role in the fusion of RSV viruses with host cell membranes and is a major target for the development of RSV vaccines and neutralizing antibodies. Studies have shown that the pre-fusion conformation of the F protein can elicit stronger neutralizing antibody responses than its post-fusion counterpart in animal models and humans. Based on the three-dimensional structure of F protein, the major antigen target for antibody-mediated neutralization, we designed and recombinantly expressed the key structural domain that maintains the potent antigenic epitope Φ (Zero) of F protein. Our antigen design breaks through the major patent barrier associated with RSV vaccine development that mostly involves stabilized pre-F trimer. In addition, the antigen design of our RSV vaccine candidate incorporates a human immunoglobulin Fc fragment (hFc), which contributes to the secretory expression and purification of the fusion protein of interest.

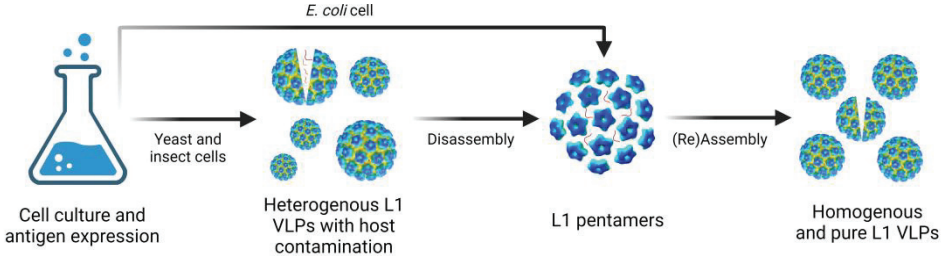
Genetic Engineering and Protein Expression Platform

Protein expression is a complex process due to the various forms, properties and structures that proteins present. Successful vaccine development relies on the use of suitable protein expression system in addition to optimizing the coding sequence of the protein of interest and engineering the expression vector as needed. We have established an advanced genetic engineering and protein expression platform encompassing *E. coli*, yeast and CHO cell expression systems that can be applied to the research and development of our recombinant protein vaccine candidates, details of which are set out as follows:

HPV Vaccine Candidates

By modifying the regulatory elements of the L1 expression vector and optimizing the coding sequence of the HPV L1 proteins, we were able to achieve soluble expression of the L1 proteins at high levels in *E. coli* expression system. The expressed L1 proteins, in the form of pentamers, can be purified and assembled directly *in vitro* into VLPs. This also enables us to avoid the issues of low purity due to high residual host DNA content and low yield as a consequence of the extra step of "disassembly-reassembly" utilized in the preparation of analogous HPV vaccines expressed using yeast or insect cells.

A comparison of processes used for the preparation of HPV L1 VLPs derived from different expression systems is set forth below.



Heptavalent Norovirus Vaccine Candidate

For now, noroviruses cannot be cultured *in vitro* in tissues and cells, and there are difficulties in recombinantly expressing antigen proteins of certain norovirus types. Therefore, development of polyvalent norovirus vaccine candidates remains challenging. Through antigen design and screening, optimization of the expression process and exploration of purification methods, we have overcome the bottlenecks in efficient expression and purification of antigen proteins of various norovirus types, as well as the preparation of VLPs thereof. We have established genetically engineered cell banks for the high-level and stable production of antigen proteins, breaking down one of the key technological barriers to the development of our heptavalent norovirus vaccine candidate.

HFMD Vaccine Candidate

The prevailing viruses that cause HFMD include EV71 and coxsackieviruses A16 ("**CA16**"), A10 ("**CA10**") and A6 ("**CA6**"). However, due to the difficulties in expressing and efficiently preparing the VLPs of coxsackieviruses, currently the three approved vaccines for the prevention of HFMD are all inactivated EV71 vaccines. Leveraging our genetic engineering and protein expression platform, we have managed to achieve efficient expression of the VLPs of EV71, CA16, CA10 and CA6 through antigen sequence design and screening, modification of expression vectors, which lays a solid foundation for the development of our quadrivalent HFMD vaccine candidate.

Vaccine Engineering Platform

Pilot-scale vaccine manufacturing process development is critical to the commercial production of vaccine products. Vaccine production is a heavily regulated and complex process, thereby demanding huge capital investment to build manufacturing plant compliant with regulatory requirements. We have established a vaccine engineering technology platform featuring an EU GMP-compliant pilot plant with an area of over 3,000 sq.m. Scaling up bioprocesses for all our development candidates can be accomplished in the pilot plant, which facilitates smooth technology transfer to the commercial manufacturing plant in the future in expectation of approval of our vaccine candidates. As of the Latest Practicable Date, we have completed pilot-scale manufacturing process development for our HPV vaccine candidates, including the Core Products.

Potency Evaluation Platform

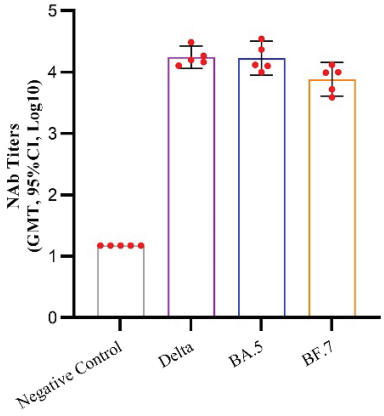
Potency evaluation is an essential component of quality control for vaccines. Various procedures, including animal-based *in vivo* potency assays and *in vitro* relative potency assays, may be used for potency evaluation, the establishment of which represents a special challenge due to the unique compositions, multivalency and long lifecycle of vaccines. Leveraging our potency evaluation platform, we have developed a number of methods to evaluate the immunogenicity profile of our vaccine candidates. For example, we have developed pseudovirus-based neutralization assays for fifteen HPV types, wild-type and recombinant

RSV-based neutralization assays for two RSV types, and HBGA-blocking antibody assays for seven norovirus types to evaluate functional antibody responses induced by our HPV, RSV and norovirus vaccine candidates. Furthermore, we have developed techniques for the preparation of monoclonal and polyclonal antibodies for the *in vitro* potency evaluation of our HPV and norovirus vaccine candidates.

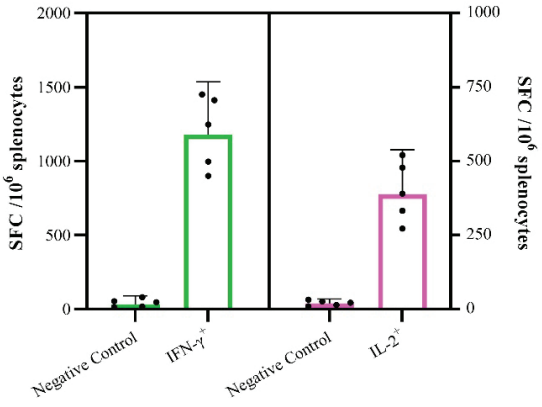
mRNA Platform

As a vaccine company focused on the development of novel vaccines, we constantly monitor cutting-edge technologies and seek to apply such technologies to further enrich our vaccine pipeline. We have established an mRNA platform and plan to explore opportunities in relation to mRNA-based vaccines and therapeutics. In 2022, we were developing a COVID-19 vaccine candidate, which has demonstrated a favorable immunogenicity profile in pre-clinical studies and validated our mRNA platform. The following graphs exhibit the immunogenicity data we collected from pre-clinical studies of the mRNA COVID-19 vaccine candidate.

A. Neutralizing antibodies induced by a COVID-19 mRNA vaccine at week 4 post dose 2



B. Levels of cytokines induced by a COVID-19 mRNA vaccine in mice at week 4 post dose 2, as measured by ELISPOT



Although we have temporarily put development of the mRNA COVID-19 vaccine candidate on hold, it nevertheless has laid a solid foundation for us to develop mRNA-based vaccines and therapeutics in the future. Leveraging our mRNA platform, we are developing an mRNA bivalent therapeutic HPV vaccine candidate, with an IND application expected to be filed with the NMPA in 2025. In addition, we are also exploring the opportunities to leverage our mRNA platform to develop vaccines against other infectious diseases, including RSV, VZV, cytomegalovirus, herpes simplex virus and Epstein–Barr virus. We believe the mRNA platform can achieve synergy with our recombinant protein vaccine R&D platform. In addition, our expertise and knowhow accumulated in the years of recombinant vaccine development, for instance, antigen design, can enable us to advance mRNA-based vaccine development rapidly.

OUR COLLABORATION AGREEMENT

On January 2, 2019, we entered into a collaboration agreement, as supplemented on January 3, 2019 and March 5, 2020, respectively, with Chengda Biotechnology (the "**Collaboration Agreement**"), pursuant to which we and Chengda Biotechnology have mutually agreed to jointly develop our recombinant 15-valent HPV vaccine candidate ("**Vaccine Candidate**"). Chengda Biotechnology is a China-based company focused on the R&D, manufacturing and commercialization of vaccines, whose shares are listed on the Shanghai Stock Exchange (stock code: 688739). To the best knowledge of our Directors, Chengda Biotechnology is an Independent Third Party.

Pursuant to the Collaboration Agreement, we are responsible for the pre-clinical studies of the Vaccine Candidate. Chengda Biotechnology and we shall jointly file for IND approval for clinical trials of the Vaccine Candidate, and we will grant a worldwide exclusive license to Chengda Biotechnology to conduct clinical development of, manufacture and commercialize the Vaccine Candidate. In consideration of the license granted under the Collaboration Agreement, Chengda Biotechnology shall pay us up to RMB120 million in milestone installments, including RMB50 million upon achieving prescribed pre-clinical R&D milestones, RMB20 million upon receipt of IND approval from the NMPA, and RMB50 million upon receipt of BLA approval. Moreover, after the successful commercialization of the Vaccine Candidate, Chengda Biotechnology is obligated to pay us royalty fees in the mid-teens of the operating revenue, or a percentage of the net profit if its net profit margin does not meet a certain target, generated per calendar year from sales of the Vaccine Candidate, within ten years from the first commercial sale of the Vaccine Candidate. As of the Latest Practicable Date, we have received a total of RMB70 million in milestone payments from Chengda Biotechnology.

Pursuant to the Collaboration Agreement, we are obliged to complete pre-clinical studies of the Vaccine Candidate within two years following the execution of the agreement and obtain IND approval from the NMPA within three years following the execution of the Collaboration Agreement. Chengda Biotechnology shall initiate a phase I clinical trial of the Vaccine Candidate within two years from receipt of the IND approval. The phase I and phase II clinical trial shall be completed within four years from receipt of IND approval, and a phase III clinical trial shall be initiated within three years after the Vaccine Candidate has generated favorable clinical outcomes in its phase II clinical trial. Chengda Biotechnology shall commence commercialization within four years after obtaining BLA approval for the Vaccine Candidate.

Before obtaining BLA approval for the Vaccine Candidate, all technical achievements, intellectual properties and patent application rights related to the Vaccine Candidate shall belong to us. The license we granted to Chengda Biotechnology under the Collaboration Agreement for the use of our intellectual property rights, technical information and knowhow relating to the Vaccine Candidate shall be exclusive up until ten years from the first commercial sales of the Vaccine Candidate ("**Exclusive Period**"), and non-exclusive following the expiration of the Exclusive Period through the expiration of the Collaboration Agreement.

After obtaining BLA approval for the Vaccine Candidate, all the technical achievements, intellectual properties and patent application rights developed by Chengda Biotechnology relating to manufacturing process improvement for the Vaccine Candidate shall belong to Chengda Biotechnology.

The Collaboration Agreement shall be valid through January 1, 2045. If the development of the Vaccine Candidate fails for reasons that are not attributable to Chengda Biotechnology, Chengda Biotechnology will be exempted from the obligation to pay prescribed consideration at the corresponding stage. In such event, or if the development of the Vaccine Candidate fails during clinical trials, Chengda Biotechnology shall be entitled to request us to develop a new nonavalent or higher-valent HPV vaccine candidate to replace the Vaccine Candidate (precluding our Core Product, the phase-III stage nonavalent HPV vaccine candidate that we are currently developing), and grant them an exclusive license with respect to such vaccine candidate, and provide all relevant technical services. The Collaboration Agreement will continue to be honored and the share of future sales revenue will be renegotiated between Chengda Biotechnology and us. In the event that the development of the Vaccine Candidate fails during clinical trials and Chengda Biotechnology requests us to develop a new nonavalent or higher-valent HPV vaccine candidate, the costs incurred for the development of the new HPV vaccine candidate shall be shared by Chengda Biotechnology and us.

RESEARCH AND DEVELOPMENT

During the Track Record Period, substantially all of our R&D activities were conducted by our in-house R&D team. Our in-house R&D team participates in all phases of vaccine development and has successfully brought our Core Products into clinical trials. In addition, we have also reached agreement with Chengda Biotechnology to collaborate on the development, manufacturing and commercialization of the 15-valent HPV vaccine candidate. See "– Our Collaboration Agreement" for details. For 2022 and the nine months ended September 30, 2023, our total research and development costs amounted to RMB236.7 million and RMB329.9 million, respectively, among which we capitalized RMB152.9 million of research and development costs in relation to our nonavalent HPV vaccine candidate (male indication) during the nine months ended September 30, 2023.

As of September 30, 2023, our in-house R&D team consisted of 194 members, most of whom hold doctoral or master's degree in biochemistry, molecular biology, bioengineering, pharmaceutical engineering, clinical medicine and other related majors. Our in-house R&D team is led by Mr. LIU Yongjiang (劉永江), our chief scientific officer, and Dr. ZHANG Haijiang (張海江), our deputy general manager. Mr. LIU Yongjiang has over 30 years of experience in academic research and biotechnology R&D and has been the inventor on over 20 invention patents. Dr. Zhang Haijiang, our deputy general manager (R&D), has approximately 20 years of experience in academic research and vaccine R&D. Under our internal R&D regime, we also appoint a project leader to lead the discovery and development of our novel vaccine candidates, most of whom hold a PhD degree in biomedical-related majors from prestigious universities.

R&D Process

We have formulated a comprehensive in-house R&D administration system, which sets forth protocols governing key aspects of vaccine development, including feasibility studies, budget control, R&D agreement execution, data collection and protection, and R&D monitoring, among others. Our in-house R&D team regularly communicates with our scientific advisory board members, who share with us their strategic advice and recommendations on our R&D activities. The R&D process of our vaccine candidates is set forth below.

- ***Project initiation and discovery study.*** Our R&D team, in collaboration with marketing personnel, conducts research and reviews market information to identify unmet medical needs in the area of vaccine-preventable diseases. Taking into consideration the strengths of our technology platforms and the competitive landscape for the vaccine we expect to work on, we pick the appropriate disease area and antigen of interest, and conduct feasibility studies thereafter, including antigen design, expression and purification, adjuvant screening, and evaluation of biological activity. Based on the results from feasibility studies, we will decide on whether to proceed with the development of the vaccine candidate.

- ***Pre-clinical R&D.*** Once we decide to proceed with the development of a selected vaccine candidate, we will establish a team to take charge of the pre-clinical R&D of such vaccine candidate. The team normally consists of R&D talent specializing in bioengineering, pharmacology, formulation development and quality studies, among others.

- ***Clinical development.*** After we complete the pre-clinical R&D required by the regulatory authorities of an IND application for a vaccine candidate, we will prepare and compile relevant dossiers and submit an IND application to the NMPA and applicable overseas regulatory authorities. In accordance with the Vaccine Administration Law, we normally contract with CDCs at the provincial level or above or tertiary medical institutions as the responsible institution in China to conduct clinical studies. For our overseas clinical trials, we normally select hospitals and PIs that are experienced in vaccine clinical trials. During a clinical trial, we regularly conduct clinical monitoring and audits to oversee the execution of such clinical trial. Meanwhile, we will take effective measures to protect the legitimate rights and interests of trial subjects, including obtaining written informed consent from subjects or their legal guardians before the clinical trial begins. We also establish safety monitoring committee independent of us to provide oversight and monitoring of the conduct of certain types of trials to ensure the safety of subjects and the validity and integrity of trial data.

Clinical Trial Management

We have a dedicated clinical trial team overseeing the execution of our clinical trials. Our clinical trial team is led by Ms. YU Hongyang, who has over five years of experience in clinical research and management. Our clinical trial team closely follows up and engages with PIs and regulatory bodies to ensure our clinical trials are conducted in an efficient way and in accordance with applicable regulatory requirements, protocols and SOPs, and all the issues arising from clinical trials can be addressed in a timely manner. As per the industry practice, we also engaged reputable CROs in assisting with our clinical trials during the Track Record Period.

Our trial sites primarily include CDCs at the county and municipal level selected by us with the assistance of the responsible institution contracted by us to conduct the clinical trial. Trial sites that are reputable and located in epidemiologically acceptable regions and have a large pool of candidates for enrollment and experience with clinical trials of similar products are our preferred choice. The fees we paid to them are generally determined through arm's length negotiations taking into account the clinical trial design and the number of subjects enrolled at such site. We made payment to trial sites directly and without involvement of their respective PIs. These trial sites and PIs are generally responsible for the day-to-day management of the clinical trial to ensure it complies with the clinical trial protocol, SOPs and regulatory requirements.

The responsible institution for phase I and phase II clinical trials of our trivalent HPV vaccine candidate and phase I through phase III clinical trials of our nonavalent HPV vaccine candidate in females is Jiangsu Provincial CDC, with Dr. Zhu Fengcai (朱鳳才) as the lead PI. The responsible institution for phase III clinical trial of our trivalent HPV vaccine candidate is Yunnan Provincial CDC, with Dr. Yang Jun (楊軍) as the lead PI. The responsible institution for the immuno-bridging study in adolescent girls of our trivalent HPV vaccine candidate is Shaanxi Provincial CDC, with Dr. Zhang Shaobai (張少白) as the lead PI. The responsible institution for phase I and phase III clinical trials of our nonavalent HPV vaccine candidate in males is Guangxi Provincial CDC, with Dr. Mo Zhaojun (莫兆軍) and Dr. Huang Teng (黃騰) as the lead PI, respectively. All of these PIs have the training and qualifications in prevention and control of infectious diseases. To the best of our knowledge, none of these responsible institutions or the trial sites selected, or PIs we collaborated with, have any past or present relationships with our Group, our Directors, shareholders, senior management or any of their associates, other than acting as our clinical trial partner or our PI, as applicable.

CROs

As per the industry practice, we engaged clinical CROs in the implementation of our clinical trials during the Track Record Period. These clinical CROs provide us with an array of services necessary for the successful execution of our clinical trials in accordance with the trial design and under our supervision, including clinical monitoring, quality control, medical monitoring, pharmacovigilance, data management and statistical analysis. We engaged CROs in all clinical trials of our trivalent HPV vaccine candidate and nonavalent HPV vaccine candidate in China, which were all reputable companies. We also engaged a leading multinational CRO company to support the phase III clinical trial of our nonavalent HPV vaccine candidate in Indonesia. The fees we paid to these CROs are generally determined through arm's length negotiations based on the exact services to be provided by them. To the best of our knowledge, none of them have any past or present relationships with our Group, our Directors, shareholders, senior management or any of their associates, other than acting as our CROs, as applicable.

We have established stringent rules regarding selection of CROs, which generally require us to take into account various factors, including qualifications, experience, industry reputation, subject coverage and enrollment, adequacy of data management capability of the CROs. Our procurement team conducts initial screening of potential suppliers, and our clinical trial team will conduct eligibility review on candidate suppliers that pass the initial screening by our procurement team. We will enter into confidentiality agreements with qualified suppliers and request quotes from them. Selected candidate CROs will be invited for interview and technical evaluations, based on which we will make a final decision and enter into contractual agreements with the chosen CRO. Payment schedules for services provided by CROs are typically tied to clinical trial milestones such as subject enrollment, completion of dosing, follow-up milestones and completion of study.

We have developed a range of approaches to managing CROs. CROs are required to report to us on an ongoing basis on the status of the clinical trial they are contracted for. We have also hired clinical trial auditors to supervise our clinical trials.

Scientific Advisory Board

We have also formed a scientific advisory board to provide us with strategic advice and forward-looking recommendations on our product development, members of which are top scientists, including:

- ***Dr. Chen Xiaojiang (陳小江)***, a world-renowned virologist and structural biologist who is the world's first scientist to report the small VLP structure of HPV L1 protein. Dr. Chen currently serves as director of the Center for Excellence in Nano Biophysics at the University of Southern California in the United States.

- ***Dr. Rao Zihe (饒子和)***, an academician of the Chinese Academy of Sciences and The World Academy of Sciences, and a professor in structural biology at Tsinghua University, China. Dr. Rao has authored over 400 peer-reviewed papers in international journals, of which 23 were published in leading journals, including Cell, Nature and Science.

- ***Dr. Sheng Jun (盛軍)***, a professor engaged in biotechnology R&D at Yunnan Agricultural University, China, and director of the Chinese Society for Microbiology. Dr. Sheng is a pioneer in the development of China's split influenza vaccine and genetically engineered interferon ointment.

R&D Facilities

During the Track Record Period and up to the Latest Practicable Date, our R&D activities were primarily conducted at our Beijing R&D center. Our Beijing R&D center is equipped with state-of-the-art equipment and instruments dedicated for vaccine R&D activities, including, among others, fermenters and bioreactors for cell culture, AKTA systems for protein purification, multi-mode plate readers for immunogenicity evaluation, automatic syringe production lines for the preparation of vaccine samples for preclinical studies and clinical trials, and HPLC systems for quality control.

MANUFACTURING

During the Track Record Period and up to the Latest Practicable Date, all samples of our vaccine candidates used in our R&D activities and clinical trials were manufactured by our in-house manufacturing team in our China and EU GMP-compliant pilot plant in Beijing. We lease premises in Beijing to serve as our pilot plant. In order to meet market demand for our vaccine products currently under development upon commercialization, we are constructing a vaccine manufacturing facility in Kunming, which will primarily be used to manufacture our HPV vaccines for commercial supply. The planned annual production capacity is 10 million doses of trivalent HPV vaccine plus 30 million doses of nonavalent HPV vaccine. We have commenced an engineering trial run of our Kunming vaccine manufacturing facility for the manufacturing of our trivalent HPV vaccine candidate in August 2023. We plan to apply for a drug manufacturing license in the second half of 2024, to ensure that we can commence commercial production upon obtaining BLA approval. The total planned GFA is over 80,000 sq.m. If the market demand for our HPV vaccines is strong after they are commercialized, we may further expand the capacity of our manufacturing facility in the future.

SUPPLIERS AND PROCUREMENT

During the Track Record Period, our major suppliers primarily included (i) suppliers of raw materials like culture media, chromatography resins and syringes; and (ii) CROs and clinical trial sites including provincial CDCs and hospitals. We have formulated standard processes for the procurement of materials and services. We generally make payment to the suppliers through bank transfer. We have maintained stable business relationships with our major suppliers. During the Track Record Period, we did not experience any material disputes with our suppliers, difficulties in the procurement of raw materials or services, disruptions to our operations due to a shortage of or delay in supply of raw materials or services, or significant fluctuations in raw material and/or service prices.

During the Track Record Period, our purchases from our five largest suppliers in aggregate in each period accounted for 49.0% and 56.7% of our total purchases for the same period, respectively. Our purchases from our largest supplier in each year/period accounted for 18.6% and 15.5% of our total purchases for the same period, respectively. The following table summarizes information about our five largest suppliers and our purchases from them during the Track Record Period.

Ranking	Supplier	Purchase amount	% of total purchase	Credit term	Commencement of business relationships	Supplier background	Product/ service procured
		(RMB'000)	%				
For the nine months ended September 30, 2023							
1	Supplier A	40,147	15.5%	5 to 20 business days	2020	A CRO company headquartered in Shanghai (registered capital: RMB5.0 million)	CRO services
2	Supplier B	31,000	12.0%	15 business days or 60 days	2020	Provincial CDC	Trial site services
3	Supplier C	29,137	11.3%	15 business days	2022	Provincial CDC	Trial site services
4	Supplier D	25,362	9.8%	15 business days	2023	Provincial CDC	Trial site services
5	Supplier E	20,948	8.1%	10 days	2014	A national testing institute in China	CRO services and raw materials
Total		**146,595**	**56.7%**				

Ranking	Supplier	Purchase amount	% of total purchase	Credit term	Commencement of business relationships	Supplier background	Product/ service procured
		(RMB'000)	%				
For the year ended December 31, 2022							
1	Shanghai Sidanmu Pharmaceutical Development Co., Ltd. (上海斯丹姆醫藥開發有限責任公司)	30,483	18.6%	5 to 20 business days	2020	A CRO company headquartered in Shanghai (registered capital: RMB5.0 million)	CRO services
2	National Institute for Food and Drug Control (中國食品藥品檢定研究院)	18,895	11.5%	10 days	2014	A national testing institute in China	CRO services and raw materials
3	Guangzhou Jinyu Medical Testing Center Co., Ltd. (廣州金域醫學檢驗中心有限公司)	12,001	7.3%	30 days	2020	A medical testing company headquartered in Guangzhou (registered capital: RMB23.1 million)	CRO services
4	Shaanxi Provincial CDC (陝西省疾病預防控制中心)	10,539	6.4%	15 business days or 60 days	2020	Provincial CDC	Trial site services
5	Nanjing Sangruisi Pharmaceutical Technology Co., Ltd. (南京桑瑞斯醫藥科技有限公司)	8,491	5.2%	30 business days	2019	A CRO company headquartered in Nanjing (registered capital: RMB3.0 million)	CRO services
Total		**80,409**	**49.0%**				

We have established a series of management procedures to ensure the quality of the raw materials we procured. We conduct evaluations on our suppliers and supplier candidates. For each batch of the raw materials we receive, we conduct quality evaluation and inspection. In case we identify any issue, we will report to the supplier and require the supplier to implement corrective and preventive action or replace the raw materials, if necessary. If we determine the raw materials of a certain supplier cannot meet our quality standards, we will disqualify such supplier and refuse to procure any raw materials from it. We conduct due diligence on CROs to ensure their compliance with regulatory requirements for clinical trial operations. A CRO selected by us will recommend clinical trial sites and conduct on-site visits to assess compliance of the sites with applicable regulations. Only compliant clinical trial sites will be chosen.

To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] had an interest in any of our five largest suppliers during the Track Record Period.

CUSTOMERS

During the Track Record Period, we generated limited revenue from provision of technical services and sales of test reagents for research purpose. For further details, please refer to "Financial Information – Description of Selected Components Consolidated Statements of Profit or Loss – Revenue." We generally grant our customers a credit term of ten days and receive payment through bank transfer.

The following table summarizes information about our customers and our sales to them during the Track Record Period.

Ranking	Customer	Sales amount	% of total revenue	Commencement of business relationships	Customer background	Product/service sold
		(RMB'000)	*%*			
For the nine months ended September 30, 2023						
1	Customer A	686	42.8%	2023	Biotechnology company headquartered in Beijing (registered capital: RMB1.0 million)	Recombinant proteins, polyclonal products, monoclonal products
2	Customer B	563	35.2%	2021	Biotechnology company headquartered in Beijing (registered capital: RMB5.0 million)	Recombinant proteins, polyclonal products, monoclonal products
3	Customer C	182	11.4%	2018	Biotechnology company headquartered in Suzhou (registered capital: RMB1.5 million)	Recombinant proteins, polyclonal products, monoclonal products, pseudoviral products

Ranking	Customer	Sales amount	% of total revenue	Commencement of business relationships	Customer background	Product/service sold
		(RMB'000)	*%*			
4	Customer D	170	10.6%	2023	Biotechnology company headquartered in Beijing (registered capital: RMB1.0 million)	Recombinant proteins, polyclonal products, monoclonal products
Total		**1,601**	**100.0%**			

Ranking	Customer	Sales amount	% of total revenue	Commencement of business relationships	Customer background	Product/service sold
		(RMB'000)	*%*			
For the year ended December 31, 2022						
1	Beijing Abace Biotechnology Co., Ltd. (北京安必奇生物科技有限公司)	1,794	94.4%	2021	Biotechnology company headquartered in Beijing (registered capital: RMB5.0 million)	Recombinant proteins, polyclonal products, monoclonal products
2	Suzhou Botelong Immunotechnology Co., Ltd. (蘇州博特龍免疫技術有限公司)	107	5.6%	2018	Biotechnology company headquartered in Suzhou (registered capital: RMB1.5 million)	Recombinant proteins, polyclonal products, monoclonal products, pseudoviral products
Total		**1,901**	**100.0%**			

During the Track Record Period, we purchased R&D services from Beijing Abace Biotechnology Co., Ltd. and raw materials for R&D from Suzhou Botelong Immunotechnology Co., Ltd. The total amount that we purchased from these customers in aggregate was less than 0.1% of our total purchases in each year/period comprising of the Track Record Period. Negotiations of the terms of our sales to and purchases from these customers were not inter-dependent, and the sales and purchases were neither inter-connected with nor inter-conditional on each other. Our Directors confirmed that the terms of the transactions with such customers were in line with industry norm, and the products/services we purchased from these customers were not sold to such customers.

To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] had an interest in any of our customers during the Track Record Period.

QUALITY MANAGEMENT

We have established a comprehensive quality management system in compliance with Chinese GMP and GCP standards and EU GMP standards, which covers the whole vaccine development and manufacturing cycle. Our quality management system has established management processes and/or detailed standards on, among others, raw material procurement, R&D, production, quality control, quality standards, warehousing and material handling, utility systems and equipment, information system and calibration protocols. Our quality management system is strictly implemented and followed in our daily operations.

We have built a comprehensive quality management function which consists of a quality assurance team and a quality control team. Our quality assurance team is responsible for the establishment, routine maintenance and continuous improvement of our quality management system, so as to ensure the effective control of vaccine R&D, production and clinical trials. Our quality control team is mainly responsible for (i) formulating quality control strategies and procedures for the environment, raw and auxiliary packages, utilities, intermediates and finished products during R&D and production processes, including the establishment of vaccine product-related quality inspection methods and standards; (ii) formulating the quality control strategies and plans for all of our clinical research projects, including the implementation, execution, monitoring of quality controls and corrective action plan for internal and external tasks and at critical timepoints, as well as tracking the quality and operations of our clinical research projects by taking into account the outcomes of external audit.

As of September 30, 2023, we had approximately 120 employees responsible for quality management in our manufacturing and R&D process. Our quality management team is led by Mr. SHEN Yiguo, who has over 20 years of working experience in quality management and over ten years of working experience in the vaccine industry.

COMMERCIALIZATION AND BUSINESS DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not have any commercialized vaccine products. We only generated limited revenue from provision of technical services and sales of test reagents for research purpose. See "Financial Information – Description of Selected Components Consolidated Statements of Profit or Loss – Revenue" and "– Customers" for details.

In consideration of the fact that some of our vaccine candidates are in phase III clinical trials and will approach commercialization in the near future, we have begun to establish a dedicated commercialization team, which is responsible for formulating commercialization strategies for our vaccine products. In the PRC market, we plan to use a diversified model involving both our in-house team and third-party partners. We plan to adopt an academic promotion approach, including strengthening communications and cooperation with local CDCs, organizing academic seminars, participating in industry conferences to introduce the key advantages of our vaccines and enhance our brand awareness. In addition, we will explore opportunities to collaborate with third party CSOs to promote the commercialization of vaccines in China.

We have developed detailed commercialization strategies for our near-commercial and phase III stage HPV vaccine candidates.

- ***Trivalent HPV vaccine.*** Our trivalent HPV vaccine will be positioned for use in female populations that are price-sensitive and desire basic protection against cervical cancer, and we expect to price our trivalent HPV vaccine candidate accordingly. We believe our trivalent vaccine has an edge over the licensed bivalent vaccines and quadrivalent vaccine due to broader protection against cervical cancer in East Asian females. We will actively respond to the *Global Strategy to Accelerate the Elimination of Cervical Cancer as a Public Health Problem* proposed by WHO by striving to include our trivalent HPV vaccine in the beneficial policy programs of various provinces in China after it is launched. In the future, we will also explore the possibility of introducing it to the PRC national immunization program.

- ***Nonavalent HPV vaccine.*** Considering the protection provided by our nonavalent HPV vaccine and the significantly underserved market, we believe less price-sensitive people will choose higher-valent HPV vaccine to better protect against diseases caused by HPV. For our nonavalent HPV vaccine, we will adopt a diversified marketing and sales model, leveraging both our in-house team and those of our business partners. In particular, we will rely on our in-house team to conduct academic promotion activities to promote HPV vaccination in males. Given our potential first-mover advantage in obtaining approval for use of our nonavalent HPV vaccine in males, we believe we are well-positioned to capture a significant share of the HPV vaccine market in China.

We believe our vaccine pipeline has significant market potential globally, and are actively exploring pathways to bring our vaccines to countries and regions with significant unmet needs. We have identified developing countries in ASEAN as our target markets and will also seek to step into markets in South Asia, Africa and South America through out-licensing strategy and joint ventures with local pharmaceutical companies and NGOs. We have obtained CTA approval for a phase III clinical trial of our nonavalent HPV vaccine candidate in Indonesia in September 2023 and initiated the clinical trial in November 2023. We expect to submit a BLA for our nonavalent HPV vaccine candidate to the Indonesian BPOM for prevention of HPV infections and associated diseases in females in 2025 and leverage our clinical trial data collected in China and Indonesia to further expand to other ASEAN countries. We are currently formulating our commercialization strategy in Indonesia which will take into account the local market conditions and competitive landscapes.

INTELLECTUAL PROPERTY

As a company focused on the R&D, manufacturing and commercialization of innovative vaccine products, we recognize the importance of intellectual property rights to our business and are committed to their development and protection. We actively seek patent protection for our vaccine candidates in China and major jurisdictions, and file additional patent applications, when appropriate, to cover certain antigens, proteins, monoclonal antibodies and manufacturing processes deemed critical to our vaccine R&D and commercialization. We have developed a strong portfolio of patents and patent applications to protect our technologies and products. As of the Latest Practicable Date, we have 50 granted patents and eight pending patent applications in China. In addition, as of the same date, we have one granted patent in South Africa, one pending patent application in Indonesia and eight pending PCT patent applications. Our Directors confirm that we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that are threatened or pending as claimant or respondent during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the material patents and patent applications relating to our vaccine candidates in China as of the Latest Practicable Date.

Number	Patent	Category	Related product	Patent/patent application number	Status	Patent owner	Application date	Expiration date
1.	Recombinantly expressed VLP of HPV 16 and preparation method thereof	Invention	Trivalent and nonavalent HPV vaccine candidate	ZL201410683185.0	Granted	Our Company	2014.11.25	2034.11.25
2.	Recombinantly expressed VLP of HPV 18 and preparation method thereof	Invention	Trivalent and nonavalent HPV vaccine candidate	ZL201410672158.3	Granted	Our Company	2014.11.22	2034.11.22
3.	Recombinantly expressed VLP of HPV 58 and preparation method thereof	Invention	Trivalent and nonavalent HPV vaccine candidate	ZL201410672161.5	Granted	Our Company	2014.11.22	2034.11.22
4.	HPV 16 monoclonal antibody and its application	Invention	Trivalent and nonavalent HPV vaccine candidate	ZL201510769592.8	Granted	Our Company	2015.11.12	2035.11.12
5.	HPV 18 monoclonal antibody and its application	Invention	Trivalent and nonavalent HPV vaccine candidate	ZL201510771138.6	Granted	Our Company	2015.11.12	2035.11.12
6.	HPV 58 monoclonal antibody and its application	Invention	Trivalent and nonavalent HPV vaccine candidate	ZL201510771139.0	Granted	Our Company	2015.11.12	2035.11.12
7.	Recombinantly expressed VLP of HPV 6 and preparation method thereof	Invention	Nonavalent HPV vaccine candidate	ZL201410685769.1	Granted	Our Company	2014.11.25	2034.11.25
8.	Recombinantly expressed VLP of HPV 11 and preparation method thereof	Invention	Nonavalent HPV vaccine candidate	ZL201410672159.8	Granted	Our Company	2014.11.22	2034.11.22

Number	Patent	Category	Related product	Patent/patent application number	Status	Patent owner	Application date	Expiration date
9.	Recombinantly expressed VLP of HPV 31 and preparation method thereof	Invention	Nonavalent HPV vaccine candidate	ZL201510490172.6	Granted	Our Company	2015.08.12	2035.08.12
10.	Recombinantly expressed VLP of HPV 33 and preparation method thereof	Invention	Nonavalent HPV vaccine candidate	ZL201510490177.9	Granted	Our Company	2015.08.12	2035.08.12
11.	Recombinantly expressed VLP of HPV 45 and preparation method thereof	Invention	Nonavalent HPV vaccine candidate	ZL201510490367.0	Granted	Our Company	2015.08.12	2035.08.12
12	Recombinantly expressed VLP of HPV 52 and preparation method thereof	Invention	Nonavalent HPV vaccine candidate	ZL201510490149.7	Granted	Our Company	2015.08.12	2035.08.12
13.	A recombinant HPV 58 L1-VLP vaccine and its preparation method	Invention	Nonavalent HPV vaccine candidate	ZL201410054216.6	Granted	Our Company	2014.02.18	2034.02.18
14.	A monoclonal neutralizing antibody against HPV 31 and its application	Invention	Nonavalent and 15-valent HPV vaccine candidate	ZL202110256302.5	Granted	Our Company	2021.03.09	2041.03.09
15.	A monoclonal neutralizing antibody against HPV 31 and its application	Invention	Nonavalent HPV vaccine candidate	ZL202110851149.0	Granted	Our Company	2021.03.09	2041.03.09

COMPETITION

Vaccine markets in China and worldwide are intensely competitive and rapidly evolving. We face potential competition from many different entities, including multi-national and large domestic pharmaceutical and biotechnology companies that have commercialized, or are commercializing or pursuing the development of vaccines that are similar to ours. We compete primarily on the strength of our vaccine pipeline, technology platforms and R&D capability. Our major competitors vary by vaccine type. For further details on market opportunities and competition in respect of our vaccine pipeline, see "Industry Overview", "– Our Vaccine Pipeline – HPV Vaccine Franchise" and "– Our Vaccine Pipeline – Other Innovative Vaccine Candidates."

EMPLOYEES

As of September 30, 2023, we had 508 employees, substantially all of whom were based in China. The following table sets forth the number of our employees by function as of September 30, 2023.

Function	Number of employees	% of total
Research and development	194	38%
Manufacturing	193	38%
Management and administrative	121	24%
Total	**508**	**100.0%**

We recruit our employees primarily through recruiting websites, third-party recruiters and employee referral. We provide training for all new employees in accordance with our internal procedures. We enter into employment agreements with our employees to cover matters such as job roles and responsibilities, wages, benefits and grounds for termination. During the Track Record Period, we made contributions to social insurance and housing provident funds in compliance with applicable PRC laws and regulations in material respects. We also enter into standard confidentiality agreements with our employees to protect our commercial secrets. Our agreements include intellectual property assignment provisions which stipulate that intellectual property rights arising from the performance of the employee's duties or from the use of Group's resources will belong to the Group.

We have established a labor union. During the Track Record Period and up to the Latest Practicable Date, we did not experience labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on assessment of our operational needs and industry practice, such as clinical trial insurance. In line with industry practices in China, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. See "Risk Factors – Risks Relating to Our Operation – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources." Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with industry practices in China.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We are committed to elevating our ability to make positive impact on the society. We have built a series of policies and procedures to contribute to social, health, work safety and environmental matters. Going forward, it is our objective to proactively identify and assess the actual and potential environmental, social and governance ("**ESG**") risks that may impact our business, strategy and financial performance, and integrate considerations of ESG issues into our business, strategic and financial planning, in compliance with the recommendations made by the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules. Our board will monitor, evaluate, and address ESG issues and will oversee the implementation of policies promoting ESG practices. ESG factors will be integrated into decision-making to enhance the long-term value and resilience of our Group.

Environmental Protection

We endeavor to conduct our operations in a manner that safeguards the environment associated with our operation. During the Track Record Period and up to the Latest Practicable Date, we have been in compliance with environmental laws and regulations applicable to our operations in all material respects and there has been no material claim made against or penalty imposed on us as a result of a violation of environmental laws and regulations that would materially and adversely affect our business, financial condition or results of operations. For 2022 and the nine months ended September 30, 2023, our expenses in relation to environmental compliance matters were RMB1.7 million and RMB1.6 million, respectively.

Wastes

We have procedures in place for waste management to ensure compliance with applicable waste disposal regulations and reduce our environmental impact. Different departments have specific responsibilities for waste management. Production-related departments handle waste in the workshops, departments involved in laboratory R&D activities manage laboratory waste, the quality assurance department oversees waste management, and the environmental health department is responsible for temporary waste storage. Waste is classified, labeled, and stored appropriately. General waste is taken away daily, while hazardous waste is taken away weekly with proper documentation. Non-conforming products and laboratory waste are handled according to prescribed procedures. Hazardous waste requiring third-party disposal is handled through agreements with qualified disposal units.

Energy

We proactively investigate and implement energy-saving initiatives, with a particular focus on reducing electricity consumption, as part of our comprehensive energy management strategy. This includes actively advocating for energy conservation and efficiency measures in our day-to-day operations. Moreover, we foster a culture of promoting procurement and utilization of energy-efficient electronic equipment within our office facilities, encompassing lighting systems and other electrical appliances. Additionally, we underscore the importance of diligently powering down air conditioning units and other energy-intensive equipment when not in use, reinforcing this practice among our staff members.

Water Resources

We are dedicated to addressing water resource concerns, assuming an active role in fulfilling our social responsibility to safeguard water resources. Our primary water source is derived from municipal water supply networks, and we did not encounter major difficulties seeking suitable water sources during the Track Record Period. As our commercial-scale production has not commenced, our water resources primarily cater to the daily operational needs of our offices, laboratories, and manufacturing facilities to facilitate in-house research and development endeavors, as well as specific construction projects carried out during the Track Record Period.

Management of Environmental Protection Matters

We depend on a range of metrics to assess the effects of environmental risks, which are generally in line with established industry norms. Such metrics include the amount of resources consumed and the amount of hazardous waste generated. In addition, we have established multiple objectives with respect to reducing our environmental footprint, and we are actively undertaking substantial measures to achieve these objectives. The following table sets forth the indicators related to our resource use and emissions during the Track Record Period.

	For the year ended December 31, 2022	For the nine months ended September 30, 2023
Energy consumption		
Electricity (*MWh*)	2,386	6,628
Water (*tons*)	18,607	68,050
Waste		
Hazardous waste (*tons*)	8.3	7.6

As our business expands and our vaccine candidates move closer to commercialization, we anticipate an increase in resource consumption and emissions. Nevertheless, we remain dedicated to implementing a diverse range of measures to optimize resource consumption and mitigate emissions. Concurrently, we strive to foster a corporate culture that values environmental protection and cooperate closely with our business partners to establish an eco-friendly ecosystem. We are fully committed to enhancing the environmental performance of our entire value chain, encompassing office operations, supplier selection, raw material procurement, laboratory activities, manufacturing processes, and waste management. In 2024, we aim to control our energy consumption level at approximately 130% to 150% of that recorded in 2023.

Work Safety

Ensuring a secure working environment for our employees is critical to us, as we recognize that a safe and healthy workplace not only safeguards the well-being of our workforce but also underpins the long-term viability of our enterprise. We have established comprehensive and stringent company-wide work safety protocols, complemented with regular safety training initiatives to equip our employees with the requisite awareness and technical expertise to carry out their duties in a secure and efficient manner. Our comprehensive safety protocols encompass every facet of our operations, including R&D, manufacturing, and office environments, as well as our primary operational sites such as offices, laboratories, and manufacturing plants. Moreover, we have distinct protocols governing high-risk materials and activities, and dedicated safety management roles to oversee and enforce these measures. We conduct regular meetings and periodic inspections to ensure the consistent adherence to our safety standards. During the Track Record Period and up to the Latest Practicable Date, we did not have any major workplace accidents.

Workplace Diversity

We strive to create an inclusive and open workplace which values equality. Our recruitment practices are strictly based on merit, and it is our corporate policy to provide equal opportunities to all employees, irrespective of their gender, age, race, religion, or any other social or personal attributes. As of September 30, 2023, more than 50% of our total employees were female. We are committed to maintaining a fair and transparent employee management system and strive to enhance gender and age diversity of our workforce.

PROPERTIES

Our headquarters are located in Beijing. We are also constructing a commercial vaccine production facility in Kunming, Yunnan Province.

Owned Properties

As of the Latest Practicable Date, we own land use right to one parcel of land in Kunming, Yunnan Province, with an area of 93,341.19 square meters. We have obtained a valid land ownership certificate for the land. We are constructing buildings on such land that will become our manufacturing facilities.

The Property Valuation Report produced by Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, set out in Appendix VI to this Document sets forth details of our owned land use right, constructed buildings and construction-in-progress thereon as of November 30, 2023. Asia-Pacific Consulting and Appraisal Limited valued our owned property interests at an amount of approximately RMB495.3 million as of November 30, 2023.

Leased Properties

As of the Latest Practicable Date, we leased 17 properties with an aggregate GFA of approximately 8,641 sq.m, including 15 properties in China and two properties in Indonesia. Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. We have not completed lease registration with the relevant regulatory authorities for each of our leases in China. Our PRC Legal Advisor are of the view that the non-registration of our lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. Therefore, we have the right to use such properties in accordance with the lease agreements, but we may be subject to the risks of fines if lease registration is not completed as required by the relevant local housing administrative authorities. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of the lease agreements.

Certain of our leases are expiring in the first half of 2024, which we plan to renew upon their expirations. Considering our good relationship with the landlords, we believe that there are no material obstacles for us to renew these leases upon their expirations.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisor has advised us that, as of the Latest Practicable Date, we have obtained all the major requisite licenses, approvals and permits from competent regulatory authorities that are material to our current principal business operations in the PRC in accordance with applicable laws and regulations or regulatory practice of the competent authorities.

The following table summarizes the material licenses and permits we hold as of the Latest Practicable Date.

Number	Licenses or permits	Holder	Issuance date	Expiration date
1.	Record notice for laboratories handling pathogenic microorganisms and laboratory activities therein (Beijing)	Our Company	2023.02.14	N/A
2.	Enterprise with standardized safe production – level 3 (Beijing)	Our Company	2022.01.28	2025.01

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations, including those that may have an influence on the R&D of our Core Products. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which would have a material and adverse impact on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with the applicable laws and regulations in China that are material to our business operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and maintained risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations.

Risk Management

We are exposed to various risks in our operations. See "Risk Factors" for details. We recognize that risk management is critical to us. We have established a comprehensive risk-management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance. We have adopted, among others, the following risk management measures:

- formulating and implementing a risk management process covering different aspects of our business operation which includes risk identification, risk assessment, risk management strategy development, risk response development, risk monitoring and early warning, risk reporting, and risk management process improvement;

- formulating a compliance manual which stipulates the compliance obligations of different departments and their respective members;

- establishing an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members: Dr. LI Xiaojing (李曉靜) (chairman of the committee), Mr. HAN Qiang (韓強) and Mr. TAO Tao (陶濤). See "Directors, Supervisors and Senior Management" for the qualifications and experiences of these members;

- adopting various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;

- adopting various policies to ensure the compliance with rules of CSRC and Beijing Stock Exchange;

- adopting comprehensive policies to ensure confidentiality and data protection, including procedures for accessing and maintaining sensitive information, protection policies of corporate and individual data, maintenance and protection mechanism of trade secrets and confidential information, protection mechanism of personal information, and data cross-border policies. We strictly comply with relevant laws in collecting and maintaining personal information. We inform and obtain consent from relevant individuals and ensure data security through anonymization and encryption. We minimize personal data retention and ensure data security during cross-border transfers. We have also established document management system to protect personal information; and

- our audit department supervises anti-corruption, fraud, commercial bribery and anti-overseas sanctions matters. We require both our employees and third parties to follow our relevant requirements. In addition, we have set up reporting mailbox under both our Board of Directors and Board of Supervisors for reports of any violations.

Internal Control

We have adopted various measures and procedures regarding each aspect of our business operations, including purchasing and payment, inventory management, production and cost management, human resources and compensation, fixed assets (including construction in progress) and intangible assets management, cash and spending management, insurance, financial reporting and disclosure controls, taxation, R&D and patent management, general controls of information systems, contract management and environmental protection.

We have engaged an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. We have adopted recommendations made by the internal control consultant, and our internal control consultant has completed follow-up procedures on our internal control system with regard to those actions taken by us in January 2024 and has not identified any additional material deficiencies in our internal control system.

BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets out information in respect of the Directors of our Company.

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. LIU Yongjiang (劉永江)	62	Executive Director, chairman of the Board and chief scientific officer	April 14, 2008	April 2, 2013	Responsible for the overall strategic planning, business management, research and development and product development of our Group
Mr. HAO Chunli (郝春利)	50	Executive Director, vice chairman of the Board and chief operating officer	January 1, 2011	April 2, 2013	Responsible for the overall business operations, corporate development, compliance governance and capital related work of our Group
Mr. TAO Tao (陶濤) (former name: TAO Tao (陶弢))[(1)]	57	Non-executive Director	November 23, 2021	November 23, 2021	Responsible for advising on business plans, major decisions and investment activities of our Group
Mr. TAO Ran (陶然)[(1)]	60	Executive Director and chief executive officer	August 31, 2008[(2)]	July 17, 2023	Responsible for the overall business management and daily operation of our Group

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. LIU Qingli (劉慶利)	59	Non-executive Director	November 23, 2021	November 23, 2021	Responsible for advising on business plans, major decisions and investment activities of our Group
Ms. LI Hui (李輝)	44	Non-executive Director	July 4, 2019	July 4, 2019	Responsible for advising on business plans, major decisions and investment activities of our Group
Dr. LI Xiaojing (李曉靜)	51	Independent non-executive Director	November 23, 2021	November 23, 2021	Responsible for supervising and providing independent advice on the operation and management of our Group
Dr. QIAO Youlin (喬友林)	68	Independent non-executive Director	December 27, 2021	December 27, 2021	Responsible for supervising and providing independent advice on the operation and management of our Group
Mr. HAN Qiang (韓強)	43	Independent non-executive Director	July 17, 2023	July 17, 2023	Responsible for supervising and providing independent advice on the operation and management of our Group

Note:

(1) Mr. TAO Ran is the brother of Mr. TAO Tao.

(2) Mr. TAO Ran joined our Group as a Director in August 2008 and ceased to serve as a Director due to the change of session of the Board in November 2021. He was re-appointed as a Director in July 2023.

Mr. LIU Yongjiang (劉永江), aged 62, joined our Group as a Supervisor of our Company in April 2008 and has been a Director of our Company since April 2013. Mr. Liu has been our chairman of the Board and chief scientific officer since July 2023. He was re-designated as our executive Director on December 26, 2023. Mr. Liu has held various senior positions within the Group, including (i) a Director of our Company from August 2008 to January 2009, (ii) our deputy general manager from August 2008 to April 2016, and (iii) our general manager from April 2016 to July 2023. From March 2022 to April 2023, he also served as an executive director and the general manager of Health Guard Kunming. He is mainly responsible for the overall strategic planning, business management, research and development and product development of our Group. He was the general partner of Jianglin Weihua from April 2021 to November 2023 and has been the manager and executive director of Jianglin Weihua since November 2023.

Mr. Liu has accumulated over 30 years of experience in biotechnology. Prior to joining our Group, Mr. Liu had positions in various biotechnology companies and biology research institutes. From 2003 to 2008, Mr. Liu served as a deputy general manager of Weihai Disha Maite Biological Products Co., Ltd. (威海迪沙麥特生物製品有限公司). From April 2000 to July 2003, he worked in Weihai Sanse Agricultural Guidance Center (威海市三色農業指導中心). From August 1982 to March 2000, he worked at Xinjiang Academy of Agricultural Sciences (新疆農業科學院), including serving as a researcher and the head of the Institute of Microbiology Application (微生物應用研究所) and as the deputy head and deputy researcher of the Institute of Plant Protection (植物保護研究所).

Mr. Liu obtained his bachelor's degree in agriculture from Shihezi University (石河子大學) in the PRC in July 1982. He obtained an executive master of business administration (EMBA) from Renmin University (人民大學) in the PRC in December 2018. Mr. Liu has received a series of awards and recognitions in the industry, including (i) the Third Prize of National Science and Technology Progress Award (國家科技進步三等獎) awarded by People's Government of Xinjiang Uygur Autonomous Region in December 1997 and (ii) a subsidy awarded by The State Council, PRC (中華人民共和國國務院) in December 1998.

Mr. HAO Chunli (郝春利), aged 50, joined our Group in January 2011 and has been a Director of our Company since April 2013. Mr. Hao has been the vice chairman of the Board and our chief operating officer since July 2023. He was re-designated as an executive Director of our Company on December 26, 2023. Mr. Hao has served in various senior positions in the Group, including (i) the chairman of the Board from April 2016 to June 2023, (ii) our chief executive officer from August 2019 to June 2023, (iii) our general manager from July 2012 to April 2016. From June 2020 to March 2022, he also served as the executive director and general manager of Health Guard Kunming. He is mainly responsible for the overall business operations, corporate development, compliance governance and capital related work of our Group. Mr. Hao has been serving a director of Sirius Holding Group since May 2014, where he only plays non-executive roles and is not involved in its day-to-day operations.

Mr. Hao has approximately 30 years of experience in business management and strategic development. From May 2016 to June 2021, he served as a director of Heilongjiang Red Valley Automotive Test Co. Ltd. (黑龍江紅河谷汽車測試股份有限公司), whose shares are listed on the NEEQ (stock code: 839750) ("**Red Valley Automotive Test**"). From September 2007 to December 2010, he served as a deputy general manager of Heilongjiang Sirius Power Plant Equipment Co. Ltd. (黑龍江天狼星電站設備有限公司). From January 2003 to August 2007, he served as a deputy general manager of Heihe Star River Industrial Development Co. Ltd. (黑河星河實業發展有限公司). From September 1994 to December 2002, he worked in Heihe Amu'er Municipal Engineering Co. Ltd. (黑河阿穆爾市政工程有限公司).

Mr. Hao obtained his technical secondary school diploma in finance and accounting from Qiqiha'er Forestry School (齊齊哈爾林業學校) in the PRC in July 1993. He graduated from PLA Nanjing Army Command College (中國人民解放軍南京陸軍指揮學院) in the PRC in June 2016 by way of attendance of a long distance learning program. He obtained an executive master of business administration (EMBA) from University of Science and Technology Beijing (北京科技大學) in the PRC in January 2019.

Mr. TAO Tao (陶濤) (former name: TAO Tao (陶弢)), aged 57, joined our Group as a Director in November 2021. He was re-designated as a non-executive Director on December 26, 2023. He is mainly responsible for advising on business plans, major decisions and investment activities of our Group. He is the brother of Mr. TAO Ran and a controlling shareholder of Sirius Holding Group.

Mr. Tao currently holds supervisory or managerial positions in numerous companies or partnerships in the PRC, including (i) the chairman of the board of Red Valley Automotive Test since July 2012, (ii) an executive director of Heihe Star River Industrial Development Co. Ltd. (黑河星河實業發展有限公司) since September 2012, (iii) the chairman of board and the manager of Sirius Holding Group since May 2014, (iv) a director of Heihe Red Valley International Ski Resort Limited Liability Company (黑河紅河谷國際滑雪場有限責任公司) since August 2014, (v) the general partner of Heihe Zhongxin Investment Partnership (Limited Partnership) (黑河眾鑫投資合夥企業(有限合夥)) since December 2015, and (vi) a director of Hainan Red Valley Automotive Technology Co. Ltd. (海南紅河谷汽車科技有限公司) since November 2021.

Mr. Tao has approximately 30 years of experience in business management and strategic development. From October 2012 to September 2022, Mr. Tao also held directorships in various subsidiaries of Red Valley Automotive Test, including (i) an executive director of Huma Red Valley Automobile Service Co. Ltd. (呼瑪縣紅河谷汽車服務有限公司) from November 2019 to September 2022, (ii) the chairman of the board of Mohe Red Valley Automotive Test Co. Ltd. (漠河紅河谷汽車測試有限公司) from April 2019 to June 2022, (iii) an executive director of Heihe Cooperation Zone Red Valley New Energy Vehicle Test Co. Ltd. (黑河合作區紅河谷新能源汽車測試有限公司) from July 2018 to June 2022, (iv) the chairman of the board of Wudalianchi Red Valley Vehicle Test Co. Ltd. (五大連池市紅河谷汽車測試有限公司) from July 2017 to June 2022, (v) the chairman of the board of Wudalianchi Scenic Area Red Valley Automobile Service Co. Ltd. (五大連池風景區紅河谷汽車服務有限公司)

from August 2015 to June 2022, (vi) the chairman of the board of Nenjiang Red Valley Automobile Test Centre Co. Ltd. (嫩江紅河谷汽車測試中心有限公司) from September 2014 to June 2022, and (vii) the chairman of the board of Sunwu Ice Age Trial Tourism Co., Ltd. (孫吳冰河世紀試車旅遊有限責任公司) from October 2012 to May 2022. From November 2017 to May 2022, he served a director and the general manager of Heilongjiang Sirius Logistics Co. Ltd. (黑龍江天狼星物流有限公司). From August 2014 to September 2019, he served a director of Menglan Star River Energy Co. Ltd. (夢蘭星河能源股份有限公司). From 1989 to March 2012, Mr. Tao successively worked at Heihe Detachment of the Heilongjiang Forestry Corps of the Armed Police (武警黑龍江森林總隊黑河市支隊) and Armed Police Police Command College (武警警種指揮學院).

Mr. Tao graduated from Heihe Regional Teachers College (黑河地區師範學校) in the PRC in July 1989. He graduated from Nanjing Political Institute of the Chinese People's Liberation Army (中國人民解放軍南京政治學院) in the PRC in July 2001 through long distance learning.

Mr. TAO Ran (陶然), aged 60, joined our Group in August 2008 and served as a Director from August 2008 to November 2021. He has been a Director and our chief executive officer since July 2023. Mr. TAO Ran was re-designated as an executive Director on December 26, 2023. He has also been the executive director and the manager of Health Guard Kunming since April 2023. He is mainly responsible for the overall business management and daily operation of our Group. He is the brother of Mr. TAO Tao.

Mr. TAO Ran currently holds directorship or supervisorship in numerous organizations in the PRC, including (i) a supervisor of Heihe Longhui Foreign Ship Agency Co. Ltd. (黑河市龍匯外輪代理有限責任公司) since April 2005, (ii) a director of XJ Biotechnology since October 2009, (iii) a supervisor of Tiancheng Electric Equipment Co. Ltd. (天成電氣設備股份有限公司) since June 2013, (iv) a director of Baode Logistics Co. Ltd. (葆德物流股份有限公司) since September 2013, (v) a director of Sirius Holding Group since May 2014 and (vi) the chairman of the board of Phasemicro Electronics (Suzhou) Co. Ltd. (泛升雲微電子(蘇州)有限公司) since September 2021. Mr. TAO Ran only plays non-executive roles and is not involved in day-to-day operation of the aforementioned companies.

Mr. TAO Ran has approximately 30 years of experience in business management and strategic development. Prior to joining our Group, Mr. TAO Ran successively served as the general manager and consultant of Heilongjiang Sirius Energy Engineering Co. Ltd. (黑龍江天狼星能源工程有限公司) (previously known as Heilongjiang Sirius Power Station Equipment Co. Ltd. (黑龍江天狼星電站設備有限公司)) from September 2007 to November 2018 and from December 2018 to August 2021, respectively. From January 2005 to July 2015, he served as the chairman of the board of Heihe Star River Power Co. Ltd. (黑河星河電力有限公司). From September 1998 to December 2002, he served as the chairman of the board of Heihe Amu'er Municipal Engineering Co. Ltd. (黑河阿穆爾市政工程有限公司). From September 1997 to June 2007, he served as the chairman of the board of Heihe Star River Industrial Development Co. Ltd. (黑河星河實業發展有限公司). From May 1992 to August 1995, he successively served as deputy head of Heihe Border Economic Co-operation District Construction Bureau (黑河邊境經濟合作區建設局), the head of Heihe Border Economic Co-operation District

Planning Bureau (黑河邊境經濟合作區規劃局). From September 1995 to January 2011, he served as the general manager of Heihe Economic Co-operation Zone Construction and Development Co., Ltd. (黑河市經濟合作區建設開發有限公司). From August 1984 to April 1992, he worked at Construction Committee of Heihe District Administrative Officer (黑河地區行政公署建設委員會) with his last position as a section chief.

Mr. TAO Ran graduated from Heilongjiang Construction Engineering School (黑龍江省城市建設工程學校) with a diploma in urban planning in July 1984. Mr. TAO Ran was a member of Heilongjiang Provincial Committee of the Chinese People's Political Consultative Conference (黑龍江政治協商會議) and vice chairman of Heilongjiang Federation of Industry and Commerce (黑龍江工商業聯合會).

Mr. LIU Qingli (劉慶利), aged 59, joined our Group as a Director in November 2021 and was re-designated as a non-executive Director on December 26, 2023. He is mainly responsible for advising on business plans, major decisions and investment activities of our Group.

Mr. Liu currently serves in a number of companies in the PRC as, including, (i) the general manager of Beijing Jingshi Tianhui Training Center (北京京師天匯培訓中心) since February 2002, (ii) an executive director and the general manager of Beijing Beiyue Sunshine New Energy Technology Co., Ltd. (北京北嶽陽光新能源科技有限公司) since August 2017, (iii) an executive director and the general manager of Beijing Jingfang Smart Energy Technology Co., Ltd. (北京京昉智慧能源科技有限公司) since September 2017, (iv) an executive director and the general manager of Yineng New Energy (Kunming) Co., Ltd. (亦能新能源(昆明)有限公司) since November 2017, (v) the executive director and general manager of Yuanhe Investment (Shanghai) Co., Ltd. (元核投資(上海)有限公司) since January 2018, (vi) an executive director of Yuanwang Mingkun (Beijing) Technology Development Co., Ltd. (遠望明昆(北京)科技發展有限責任公司) since November 2018, (vii) the chairman of Fengde Medical Technology Co Ltd. (豐德醫學科技有限公司) since December 2018, (viii) the chairman of the board of Beijing Yisai Biotechnology Co., Ltd. (北京亦賽生物技術有限公司) since April 2019 and (ix) a supervisor of Harbin Meilishan Construction Materials New Technology Development Co., Ltd. (哈爾濱市美利山建築材料新技術開發有限公司) since May 2022.

Mr. Liu served as the chairman of the board of Yineng New Energy Co., Ltd. (亦能新能源有限公司) from November 2016 to December 2017. From November 2003 to November 2009, he served as the general manager of Beijing Jingshi Weikang Pharmaceutical Technological Co., Ltd. (北京京師維康醫藥科技有限公司).

Mr. Liu obtained his bachelor's degree in materials management engineering from Huazhong University of Science and Technology (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)) in the PRC in July 1988. He obtained his master's degree in physical geography from Beijing Normal University (北京師範大學) in the PRC in June 2008.

Ms. LI Hui (李輝), aged 44, joined our Group as a Director in July 2019 and was re-designated as a non-executive Director on December 26, 2023. She is mainly responsible for advising on business plans, major decisions and investment activities of our Group.

Ms. Li currently serves in a number of companies in the PRC as, including, (i) the executive director of Beijing Xuancheng Data Technology Co. Ltd. (北京炫橙數據科技有限公司) since June 2018, (ii) a director of Beijing Xintong Future Technology Development Co. Ltd. (北京芯通未來科技發展有限公司) since October 2021 and (iii) an executive director of Zhangjiakou Lingdale Department Store Gifts Co. Ltd. (張家口淩達樂百貨禮品有限責任公司) since August 2023.

From 2013 to 2018, Ms. Li worked at Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) with her last positions as an assistant president and the general manager of private investment banking department. From August 2010 to 2013, she served as an accountant of Talent Communication Service Center of National Health Commission, PRC (國家衛生健康委人才交流服務中心).

Ms. Li obtained her master's degree in business administration from Yanshan University (燕山大學) in the PRC in June 2010.

Dr. LI Xiaojing (李曉靜), aged 51, joined our Group and was appointed as an independent Director of our Company on November 23, 2021. She was re-designated as an independent non-executive Director of our Company on December 26, 2023. She is mainly responsible for supervising and providing independent advice on the operation and management of our Group.

Since July 1997, Dr. Li worked at University of Science and Technology Beijing (北京科技大學) and now is an associate professor. Dr. Li currently serves as an independent director in a number of companies in the PRC as, including, (i) an independent director of China Investment Corporation (Tianjin) Intelligent Pipeline Co., Ltd. (中投(天津)智能管道股份有限公司) since August 2018, (ii) an independent director of Beijing JCZ Technology Co., Ltd. (北京金橙子科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 688291), since December 2020, (iii) an independent director of Beijing Huasheng Jingshi Information Technology Co., Ltd. (北京華晟經世信息技術股份有限公司), whose shares are listed on the NEEQ (stock code: 873983), since March 2021 and (iv) an independent director of Beijing Paratera Technology Co., Ltd. (北京並行科技股份有限公司) since April 2022, whose shares are listed on the Beijing Stock Exchange (stock code: 839493). She also served a director of Xinxing Hebei Metallurgical Resources Co., Ltd. (新興河北冶金資源有限公司) from August 2019 to December 2022.

Dr. Li obtained her bachelor's degree in industrial foreign trade from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 1995. She obtained her master's degree in agriculture from Northeast Forestry University (東北林業大學) in the PRC in June 1997. She obtained her doctor's degree in management science and engineering from University of Science and Technology Beijing (北京科技大學) in the PRC in June 2009. Dr. Li is a certified public accountant, a certified tax agent and a registered asset valuer in the PRC.

Dr. QIAO Youlin (喬友林), aged 68, joined our Group and was appointed as an independent Director of our Company on December 27, 2021. He was re-designated as an independent non-executive Director of our Company on December 26, 2023. He is mainly responsible for supervising and providing independent advice on the operation and management of our Group.

Since 2021, Dr. Qiao has been serving as a distinguished professor of School of Chinese Academy of Medical Sciences & Peking Union Medical College (中國醫學科學院北京協和醫學院). Since July 2022, he has been an independent director of Sansure Biotech Inc. (聖湘生物科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 688289). Since August 2022, he has been an independent director of Guangdong Hybribio Biotech Co. Ltd. (廣東凱普生物科技股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 300639).

Dr. Qiao has approximately 40 years of experience in the medicine field. From June 1998 to 2020, Dr. Qiao worked at Cancer Hospital, Peking Union Medical College, Chinese Academy of Medical Sciences (中國醫學科學院北京協和醫學院腫瘤醫院) with his last position as a professor. From 1983 to 1985 and from 1997 to 1998, Dr. Qiao served at Institute of Oncology, Chinese Academy of Medical Sciences (中國醫學科學院腫瘤研究所). From 1986 to 1997, he worked in National Institutes of Health and National Cancer Institute, USA.

Dr. Qiao graduated from Sichuan Medical College (四川醫學院) (currently part of Sichuan University (四川大學)) in the PRC in January 1980. He obtained his master's degree in medicine from Dalian Medical College (大連醫學院) (currently known as Dalian Medical University (大連醫科大學)) in December 1983. He obtained his doctor's degree (PhD) from Johns Hopkins University in the United States in May 1997. Dr. Qiao was awarded (i) the 2011 IARC Award for Outstanding Contribution to Cancer Research by the World Health Organization, (ii) the Healthy China 2016 Top 10 Outstanding Person (健康中國2016年十大傑出人物) by by People's Daily, Health Times and Headline Today (人民網、健康時報和今日頭條), and (iii) the 2020 China Overseas Chinese Contribution Award (2020中國僑界貢獻獎) by All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會).

Mr. HAN Qiang (韓強), aged 43, joined our Group and was appointed as an independent Director of our Company on July 17, 2023. He was re-designated as an independent non-executive Director of our Company on December 26, 2023. He is mainly responsible for supervising and providing independent advice on the operation and management of our Group.

Since April 2023, he has been an independent director of Zhuhai CosMX Battery Co., Ltd. (珠海冠宇電池股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 688772). Since July 2013, Mr. Han has been serving as a lawyer and the head of Beijing Jihe Law Firm (北京濟和律師事務所). Prior to July 2013, Mr. Han successively served as a lawyer of Beijing Beilang Law Firm (北京市貝朗律師事務所) and Beijing Chang An Law Firm (北京市長安律師事務所).

Mr. Han obtained his bachelor's degree in law from Beijing Institute of Technology (北京理工大學) in the PRC in June 2004. He obtained his PRC legal professional qualification in February 2006. Mr. Han was recognized as one of 2012-2014 Beijing Outstanding Lawyers (2012-2014年度北京市優秀律師) by Beijing Lawyers Association (北京市律師協會) in April 2015.

BOARD OF SUPERVISORS

The Board of Supervisors comprises three members. The following table sets out information in respect of the Supervisors of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities
Mr. WANG Zexue (王澤學)	53	Chairman of the Board of Supervisors and Supervisor	February 25, 2021	February 25, 2021	Responsible for supervising the performance of duties by Directors and senior management
Ms. CHEN Xin (陳欣)	36	Supervisor	November 23, 2021	November 23, 2021	Responsible for supervising the performance of duties by Directors and senior management
Ms. LI Jing (李靜)	43	Supervisor	April 7, 2009	November 24, 2023	Responsible for supervising the performance of duties by Directors and senior management

Mr. WANG Zexue (王澤學), aged 53, was appointed as the chairman of the Board of Supervisors and a Supervisor on February 25, 2021. He is mainly responsible for supervising the performance of duties by Directors and senior management.

Mr. Wang currently serves a director or supervisor in a number of companies in the PRC as, including, (i) the chairman of board of supervisors of Red Valley Automotive Test since May 2019, (ii) a director of Suzhou Jianyuena Electronics Co., Ltd. (蘇州簡約納電子有限公司) since January 2020, (iii) an executive director and the general manager of Heilongjiang Amu'er Energy Engineering Co., Ltd. (黑龍江阿穆爾能源工程有限公司) since June 2021, (iv) a supervisor of XJ Biotechnology since August 2021, (v) a director of Tiancheng Electric Equipment Co., Ltd. (天成電氣設備股份有限公司) since September 2021 and (vi) an executive director of Ningbo Silu Supply Chain Management Co., Ltd. (寧波思露供應鏈管理有限公司) since May 2023.

Prior to joining our Group, from June 2022 to January 2024, Mr. Wang served as the head of finance of Beijing Xintong Future Technology Development Co., Ltd. (北京芯通未來科技發展有限公司). He served as an executive director of Xintong Future (Harbin) Technology Co., Ltd. (芯通未來(哈爾濱)科技有限公司) from April 2021 to August 2023. From March 2021 to April 2022, he served as a manager of Beijing Xintong Future Hongxin Technology Co., Ltd. (北京芯通未來鴻鑫科技有限公司). From February 2017 to March 2023, he served as a finance director and the general manager of Heilongjiang Sirius Energy Engineering Co., Ltd. (黑龍江天狼星能源工程有限公司). From July 2014 to March 2016, he served as the general manager of Heilongjiang Herun Kaidi Medicine Co., Ltd. (黑龍江省禾潤凱迪醫藥有限公司). From 2012 to 2014, he worked at Heilongjiang Longxing International Resources Development Group Co., Ltd. (黑龍江龍興國際資源開發集團有限公司). Prior to 2012, he worked at Heilongjiang Northern Coal Sales Company (黑龍江省北方煤炭銷售公司).

Mr. Wang obtained his bachelor's degree in industrial accounting from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 1991. He obtained his master's degree in business administration from Jilin University of Finance and Economics (吉林財經大學) in the PRC in June 2011. Mr. Wang is a senior accountant in the PRC.

Ms. CHEN Xin (陳欣), aged 36, was appointed as a Supervisor on November 23, 2021. She is mainly responsible for supervising the performance of duties by Directors and senior management.

Ms. Chen has been serving as a finance director of Sirius Holding Group since March 2016 and the head of finance of Sirius (Hainan) Technology Co., Ltd. (天狼星(海南)科技有限公司) since April 2022. From November 2013 to February 2016, Ms. Chen worked in Beijing Tianheng Taihuixiang Investment Co., Ltd. (北京天恒泰匯祥投資有限公司). From September 2009 to October 2010, she worked in Zhongyuan Hotel Property Management Co., Ltd. (中遠酒店物業管理有限公司).

Ms. Chen obtained her bachelor's degree in accounting from Beijing City College (北京城市學院) in the PRC in July 2009. She is a certified public accountant in the PRC.

Ms. LI Jing (李靜), aged 43, joined our Group in April 2009 and was appointed as a Supervisor on November 24, 2023. She has successively served as a procurement specialist and as the head of procurement and of our Company since April 2013. She is mainly responsible for supervising the performance of duties by Directors and senior management.

Prior to joining our Group, Ms. Li served as an operator at Beijing Xinnuojin Electronic Technology Development Co., Ltd. (北京鑫諾金電子科技發展有限公司) from March 2008 to December 2008.

Ms. Li graduated from Puyang Light Textile Vocational Secondary Professional School (濮陽市輕紡職業中等專業學校) with a diploma in chemical industry in June 1999.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out information in respect of the senior management members of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities
Mr. LIU Yongjiang (劉永江)	62	Executive Director, chairman of the Board and chief scientific officer	April 14, 2008	August 31, 2008	Responsible for the overall strategic planning, business management, research and development and product development of our Group
Mr. HAO Chunli (郝春利)	50	Executive Director, vice chairman of the Board and chief operating officer	January 1, 2011	July 23, 2012	Responsible for the overall business operations, corporate development, compliance governance and capital related work of our Group

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities
Mr. TAO Ran (陶然)	60	Executive Director and chief executive officer	August 31, 2008	July 17, 2023	Responsible for the overall business management and daily operation of our Group
Ms. DONG Wei (董微) (former name: DONG Wei (董威))	52	Chief financial officer	May 1, 2015	May 1, 2015	Responsible for the formulation of financial and development strategies, and overseeing the overall financial management, financial internal control and corporate development of our Group
Mr. YI Chuanchao (儀傳超)	36	Vice president	March 1, 2014	March 1, 2014	Responsible for the overall business operation management, legal affairs, human resources corporate governance and development of our Group
Mr. SHEN Yiguo (沈益國)	60	Vice president	April 2, 2013	April 2, 2013	Responsible for the overall management of quality control of our Group

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management	Roles and responsibilities
Dr. ZHANG Haijiang (張海江)	46	Vice president	March 31, 2014	April 2, 2016	Responsible for overall management and promotion of pre-clinical and clinical research and development of our Group
Ms. ZHANG Ruixia (張瑞霞)	39	Vice president	December 6, 2011	July 3, 2020	Responsible for coordinating the resources of R&D center and organizing technology transfer and pre-production of our Group
Mr. WU Fujun (武福軍)	41	Vice president	August 14, 2023	December 7, 2023	Responsible for the translation of technological achievements and the management and operation of the production of our Group
Ms. HUANG Haiyan (黃海燕)	31	Secretary of the Board and joint company secretary	September 22, 2021	December 7, 2023	Responsible for the corporate governance and capital markets related work of our Group

For biographical details of Mr. LIU Yongjiang (劉永江), Mr. HAO Chunli (郝春利) and Mr. TAO Ran (陶然), please see "– Board of Directors" in this section.

Ms. DONG Wei (董微) (former name: DONG Wei (董威)), aged 52, has been serving as the chief financial officer of our Company since November 2021. She joined our Group as our finance director in May 2015. She is mainly responsible for the formulation of financial and development strategies, and overseeing the overall financial management, financial internal control and corporate development of our Group.

Ms. Dong has accumulated over 25 years of experience in financial accounting and business management. Prior to joining our Group, Ms. Dong served as an accounting manager of Sirius Holding Group from March 2012 to April 2015. From January 2005 to December 2008, she served as a finance manager of Heihe Star River Power Co. Ltd. (黑河星河電力有限公司). From 1996 to 2004, she worked in the finance department of Heihe Juheng Co., Ltd. (黑河聚亨有限責任公司).

Ms. Dong graduated from Heihe Branch of Qiqihar Teachers College (齊齊哈爾師範學院黑河分校) (currently known as Heihe University (黑河學院)) in the PRC in July 1992. She is a certified public accountant in the PRC.

Mr. YI Chuanchao (儀傳超), aged 36, has been serving as our vice president since November 2021. Mr. Yi joined our Group in March 2014 and served as secretary of the Board from March 2014 to June 2023. He is mainly responsible for the overall business operation management, legal affairs, human resources corporate governance and development of our Group.

Mr. Yi has accumulated over 15 years of experience in business management and strategic development. From January 2013 to April 2015, Mr. Yi served as the deputy head of Beijing office of Menglan Star River Energy Co. Ltd. (夢蘭星河能源股份有限公司). Prior to that, he worked in Luowa Technology Industrial Group Co. Ltd. (洛娃科技實業集團有限公司).

Mr. Yi graduated in computer science and technology from China University of Petroleum (中國石油大學) in the PRC in July 2012 through long distance learning.

Mr. SHEN Yiguo (沈益國), aged 60, joined our Group in April 2013 and has been serving as our vice president since then. He is mainly responsible for the overall management of quality control of our Group.

Prior to joining our Group, Mr. Shen served as the chief engineer of XJ Biotechnology from August 2011 to April 2013. Before that, he (i) served as a director of production technology of Sunflower Pharmaceutical Group Co. Ltd. (葵花藥業集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 002737); (ii) served as the quality authorized person of Heilongjiang Fuhe Huaxing Pharmaceutical Group Co. Ltd. (黑龍江福和華星製藥集團股份有限公司); (iii) worked at Harbin Bolai Pharmaceutical Co. Ltd. (哈爾濱博萊製藥有限公司); and (iv) worked at Harbin Metallurgical Technology Development Company (哈爾濱冶金科技開發公司).

Mr. Shen obtained his bachelor's degree in polymer chemistry from Hefei University of Technology (合肥工業大學) in the PRC in August 1985. He obtained his master's degree in electrical materials and insulation technology from Harbin Institute of Electrical Engineering (哈爾濱電工學院) (currently known as Harbin University of Science and Technology (哈爾濱理工大學)) in the PRC in March 1988. Mr. Shen is a qualified engineer and a certified pharmacist in the PRC. He was awarded the third prize of Harbin Science and Technology Progress Award (哈爾濱市科學技術進步獎三等獎) by Harbin Science and Technology Progress Award Review Committee (哈爾濱市科學技術進步獎評審委員會) in September 1992.

Dr. ZHANG Haijiang (張海江), aged 46, has been serving as our vice president since April 2016. He joined our Group as a deputy manager of biologics department in March 2014. He is mainly responsible for overall management and promotion of pre-clinical and clinical research and development of our Group.

Prior to joining our Group, Dr. Zhang served as a technical director of Beijing Tiancheng New Pulse Biotechnology Co. Ltd. (北京天成新脈生物技術有限公司) from May 2012 to February 2014. From May 2011 to April 2012, he serve as an assistant researcher of the Institute of Oncology, Chinese Academy of Medical Sciences (中國醫學科學院腫瘤研究所). From March 2009 to April 2011, he served as an assistant researcher of Institute of Zoology, Chinese Academy of Sciences (中國科學院動物研究所). From November 2004 to November 2008. He served as a research associate and postdoctoral researcher of Vanderbilt University in the United States.

Dr. Zhang obtained his bachelor's degree in biology from Beijing Normal University (北京師範大學) in the PRC in July 1999. He also obtained his doctor's degree in cell biology from Beijing Normal University (北京師範大學) in the PRC in June 2004. Dr. Zhang is a senior research fellow in biomedical research.

Ms. ZHANG Ruixia (張瑞霞), aged 39, has been serving as our vice president since July 2020. She joined our Group as a process management specialist in December 2011. She is mainly responsible for coordinating the resources of R&D center and organizing technology transfer and pre-production of our Group.

Prior to joining our Group, from July 2007 to December 2011, Ms. Zhang held several positions at Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 300158), including a technician, the head of central laboratory and the head of quality department. From July 2006 to July 2007, she served as a quality inspector of Sichuan Good Doctor Pharmaceutical Group (四川好醫生藥業集團) (currently known as Good Doctor Pharmaceutical Group Co., Ltd. (好醫生藥業集團有限公司)).

Ms. Zhang obtained her bachelor's degree in traditional Chinese medicine from Chengdu University of Traditional Chinese Medicine (成都中醫藥大學) in the PRC in July 2006. She obtained her master's degree in biological engineering from Beijing Institute of Technology (北京理工大學) in the PRC in March 2019. She is an assistant researcher in biomedicine and a certified pharmacist in the PRC. She was certified as a Project Management Professional (PMP) by the Project Management Institute (PMI) in the United States in March 2023.

Mr. WU Fujun (武福軍), aged 41, has been serving as our vice president since December 2023. He joined our Group as an assistant to the chief executive officer in August 2023. He is mainly responsible for the translation of technological achievements and the management and operation of the production of our Group.

Prior to joining our Group, Mr. Wu served as a vice president of production at Beijing Baicare Biotechnology Co., Ltd. (北京百康芯生物科技有限公司) from July 2022 to August 2023. From March 2021 to July 2022, he served as a vice president of Immunotech Applied Science Limited (北京永泰生物製品有限公司), a subsidiary of Immunotech Biopharm Ltd. (永泰生物製藥有限公司), whose shares are listed on the Stock Exchange (stock code: 6978). He started his career at Shanxi Kangbao Biological Product Co., Ltd. (山西康寶生物製品股份有限公司) in July 2006 and served in various positions from July 2006 to September 2007 and from September 2010 to March 2021, including (i) a deputy general manager responsible for production management from July 2015 to March 2021, (ii) a department supervisor responsible for the production of solid formulation and R&D of biologics and vaccines from November 2012 to July 2015, and (iii) the head of R&D for the production and quality control of recombinant protein vaccines and oral vaccines from August 2011 to November 2012.

Mr. Wu obtained his bachelor's degree in biotechnology from Shanxi Agricultural University (山西農業大學) in the PRC in July 2006. Mr. Wu obtained his master's degree in cell biology from Anhui Agricultural University (安徽農業大學) in the PRC in June 2010. Mr. Wu is a senior engineer. He was recognized as Shanxi Province "Sanjin Talents" Young Talents (山西省"三晉英才"青年優秀人才) by Shanxi Provincial Committee Talent Work Leading Team Office (中共山西省委人才工作領導小組辦公室) in March 2019.

Ms. HUANG Haiyan (黃海燕), aged 31, was appointed as the secretary of the Board in December 2023. Ms. Huang joined our Group in September 2021 as a securities representative. She is mainly responsible for our general corporate governance and capital markets related affairs.

Prior to joining our Group, she served as a securities representative of Beijing Century Real Technology Co., Ltd. (北京世紀瑞爾技術股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 300150), from May 2017 to September 2021. From April 2016 to April 2017, she served as a securities representative of Zhongshi Media Co., Ltd. (中視電傳傳媒股份有限公司).

Ms. Huang obtained a dual bachelor's degree in economics and law from Henan University (河南大學) in the PRC in July 2015.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Mr. TAO Ran (陶然), our executive Director and chief executive officer, was a supervisor or director of the following companies established in the PRC or incorporated in Hong Kong immediately prior to their deregistration pursuant to PRC or Hong Kong laws due to no substantial business operation or termination of business operation.

Name of the relevant company	Principal business activity	Status of company	Date of revocation or dissolution
Heihe Sai Er Si Power Trading Co., Ltd. (黑河賽爾斯電力貿易有限公司)	Import and export business of goods	Business license revoked as the company was inactive with no substantial business operation	November 26, 2008
Siberia International Limited (西伯利亞國際有限公司)	Export of complete sets of equipment and engineering contracting business	Voluntarily deregistered	May 30, 2014

Mr. TAO Ran confirmed that, to the best of his knowledge, (i) there was no wrongful act on his part leading to the revocation or deregistration; (ii) each of the above companies was solvent immediately prior to its revocation or deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (iii) he has not received any notification in respect of penalty, action or proceeding from relevant PRC or Hong Kong authorities as a result of the revocation or deregistration; and (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the revocation or deregistration.

Mr. LIU Qingli (劉慶利), our non-executive Director, was a director, general manager, legal representative or responsible person of the following companies established in the PRC immediately prior to their deregistration pursuant to PRC laws due to cessation of business.

Name of the relevant company	Principal business activity	Status of company	Date of revocation
Heilongjiang Xinhua Electromechanical Equipment Distribution Co., Ltd. (黑龍江鑫華機電設備經銷有限公司)	Repair of metal products, machinery and equipment	Business license revoked as the company was inactive with no substantial business operation	September 13, 2010
Heilongjiang Mechanical and Electrical Equipment Corporation Zhongxin General Equipment Company (黑龍江省機電設備總公司重型通用設備公司)	Automobile manufacturing	Voluntarily deregistered	July 1, 2022

Mr. Liu confirmed that, to the best of his knowledge, (i) there was no wrongful act on his part leading to the revocation or deregistration; (ii) each of the above companies was solvent immediately prior to its revocation or deregistration and had no outstanding claim or liabilities arising from any material non-compliance incidents; (iii) he has not received any notification in respect of penalty, action or proceeding from relevant PRC authorities as a result of the revocation or deregistration; and (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the revocation or deregistration.

Mr. WANG Zexue (王澤學), our chairman of the Board of Supervisors and a Supervisor, was the vice chairman of the board of the following company established in the PRC immediately prior to its deregistration pursuant to PRC laws due to no substantial business operation.

Name of the relevant company	Principal business activity	Status of company	Date of revocation
Heilongjiang Beisheng Coal Sales Limited Company (黑龍江省北升煤炭銷售有限責任公司)	Coal mining and washing	Business license revoked as the company was inactive with no substantial business operation	May 10, 2002

Mr. Wang confirmed that, to the best of his knowledge, (i) there was no wrongful act on his part leading to its revocation; (ii) the above company was solvent immediately prior to its revocation and had no outstanding claim or liabilities arising from any material non-compliance incidents; (iii) he has not received any notification in respect of penalty, action or proceeding from relevant PRC authorities as a result of the revocation; and (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the revocation.

Save as disclosed above, none of our Directors, Supervisors or senior management members has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years preceding the Latest Practicable Date. As of the Latest Practicable Date and save as disclosed above, (i) none of the Directors, Supervisors or members of the senior management of our Company is related to any other Directors, Supervisors and members of the senior management, and (ii) there is no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. HUANG Haiyan (黃海燕), was appointed as one of the joint company secretaries of our Company with effect from the [**REDACTED**]. For details of her biography, see "– Senior Management."

Mr. CHUNG Ming Fai (鍾明輝), was appointed as one of the joint company secretaries of our Company with effect from the [**REDACTED**]. He has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange. Mr. Chung is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in 2003.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since the principal business operations of our Group are conducted in Mainland China, members of our senior management are, and are expected to continue to be, based in Mainland China. Furthermore, as our executive Directors have a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in Mainland China. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and

the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Management Presence in Hong Kong."

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, we have formed four board committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are reviewing and supervising the financial reporting process and internal controls system of the Group, reviewing and approving connected transactions and advising the Board. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Dr. LI Xiaojing (李曉靜), Mr. HAN Qiang (韓強) and Mr. TAO Tao (陶濤). Dr. LI Xiaojing (李曉靜), being the chairlady of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee include reviewing and making recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration and Appraisal Committee comprises one executive Director, one non-executive Director and three independent non-executive Directors, namely Mr. TAO Ran (陶然), Mr. LIU Qingli (劉慶利), Dr. LI Xiaojing (李曉靜), Dr. QIAO Youlin (喬友林) and Mr. HAN Qiang (韓強). Mr. HAN Qiang (韓強) is the chairman of the Remuneration and Appraisal Committee.

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee include making recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. TAO Ran (陶然), Dr. LI Xiaojing (李曉靜) and Dr. QIAO Youlin (喬友林). Dr. QIAO Youlin (喬友林) is the chairman of the Nomination Committee.

Strategy Committee

We have established the Strategy Committee in compliance with the Article. The primary duties of the Strategy Committee include researching and making recommendations to the Board on major financing plans, investment proposals, investment decisions, development strategies and other major strategic issues of the Company. The Strategy Committee comprises three executive Directors, one non-executive Directors and three independent non-executive Directors, namely Mr. LIU Yongjiang (劉永江), Mr. HAO Chunli (郝春利), Mr. TAO Ran (陶然), Mr. TAO Tao (陶濤), Dr. LI Xiaojing (李曉靜), Dr. QIAO Youlin (喬友林) and Mr. HAN Qiang (韓強). Mr. LIU Yongjiang (劉永江) is the chairman of the Strategy Committee.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates and will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of knowledge, skills and experience, including but without limitation to law, financial investment and administrative management. They completed studies in various majors including but without limitation to medicine, preventive medicine, biology, business administration, management science and engineering, accounting and law. We have three independent non-executive Directors who have different industry backgrounds. Furthermore, our Directors are of a wide range of age, from 43 to 68 years old. Taking into account our business model and specific needs as well as the presence of two female Directors out of a total of nine Board members, we consider that the composition of our Board satisfies our board diversity policy.

We recognize the particular importance of gender diversity on our Board. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. In particular, Ms. LI Hui (李輝), our non-executive Director, and Dr. LI Xiaojing (李曉靜), our independent non-executive Director, form parts of our Board. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after [**REDACTED**]. Taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select more female individuals with a diverse range of skills, experience and knowledge

in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our nomination committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. We will also ensure that there is gender diversity when recruiting staff at mid to senior levels so that we have a pipeline of female senior management and potential successors to our Board, noting that we currently have three female senior management members. We plan to offer well-rounded trainings to female employees whom we consider have the requisite experience, skills and knowledge of our operation and business, on topics including but not limited to daily operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [**REDACTED**], our Nomination Committee will review our board diversity policy and its implementation annually to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

CORPORATE GOVERNANCE CODE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. To accomplish the high standards of corporate governance, we will comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the associated Listing Rules after the [**REDACTED**].

COMPLIANCE ADVISER

We have appointed SPDB International Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [**REDACTED**] or [**REDACTED**] of its [**REDACTED**] or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

No Conflict

Unless expressly agreed by our Group, the employee shall not engage in any part-time job or activities that create a conflict of interest with us. If the employee breaches this provision, we may choose to terminate the employment contract and hold the employee accountable for all of the loss incurred by us as a result of the breach.

Non-competition

Within two years from the date of the departure of senior management members, senior technical employees and other employees under an obligation of confidentiality (the "**Non-compete Period**") and during the course of employment by our Group, he/she shall not, among others, (i) engage in any business that competes with us, or (ii) directly or indirectly, in any other entity that competes with us, hold positions similar to the position held by the employee in our Group. If applicable, we will pay monthly compensation to the relevant employee during the Non-compete Period.

Confidentiality

The employee shall keep in confidence and shall not disclose our trade secrets, including but not limited to our technical information and operational information in confidence during the term of their employment and thereafter.

Service Invention

The intellectual property rights in any invention, work or non-patent technical result that (i) results from performing employee duties or (ii) is developed mainly using our material, technologies and information shall belong to us.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration offered by the Company to the Directors and Supervisors of the Company includes salaries, allowances, bonuses, social assurance and provident fund, the specific amounts of which are determined based on the value contribution from the position and individual performance. Independent non-executive Directors' allowances were received by independent non-executive Directors from the Company. For details on the service contracts and appointment letters signed between the Company and our Directors and Supervisors, please refer to "Appendix VII – Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Directors and Supervisors – (ii) Particulars of service agreements."

For the year ended December 31, 2022 and nine months ended September 30, 2023, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to Directors were approximately RMB11,976,000 and RMB9,082,000, respectively. For remuneration details of all Directors during the Track Record Period, please refer to Note 8 to the Accountants' Report as set out in Appendix I to this Document.

For the year ended December 31, 2022 and nine months ended September 30, 2023, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to Supervisors were approximately RMB1,029,193 and RMB731,553, respectively.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors and Supervisors for the financial year ending December 31, 2024 is expected to approximately RMB9.29 million.

For the year ended December 31, 2022 and nine months ended September 30, 2023, the five highest paid individuals of our Company included two Directors and three Directors, respectively, whose remunerations were included in the total amount paid by us for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) of the relevant Directors. For the year ended December 31, 2022 and nine months ended September 30, 2023, the total amount of remuneration and benefits in kind (if applicable) paid by us to the five highest paid individuals who are not a Director were approximately RMB6,974,000 and RMB3,089,000, respectively.

During the Track Record Period, no remuneration was paid by us nor receivable by Directors, Supervisors or the five highest remunerated individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by Directors, past Directors, Supervisors, past Supervisors or the five highest remunerated individuals as compensation for leaving positions relating to management affairs in any subsidiary of the Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our executive Directors and non-executive Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these non-executive Directors may hold directorships from time to time.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 28, 2023, and (ii) understands his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

EMPLOYEE INCENTIVE PLAN

Please see "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan" for details.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, our registered capital was RMB280,940,000 divided into 280,940,000 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Beijing Stock Exchange.

Upon the Completion of the [REDACTED]

Immediately following the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the share capital
A Shares in issue	280,940,000	[**REDACTED**]%
H Shares [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100%**

Assuming the [**REDACTED**] is exercised in full, the share capital of our Company upon completion of the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Approximate % of the share capital
A Shares in issue	280,940,000	[**REDACTED**]%
H Shares [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100%**

SHARES OF OUR COMPANY

Upon completion of the [**REDACTED**], H Shares in issue and A Shares, are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. H Shares and A Shares both can be [**REDACTED**] for by and traded between legal or natural persons of the PRC and qualified foreign institutional [**REDACTED**].

RANKING

Except for the differences set out in "– Shares of Our Company" above, A Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of A Shares, dividends in the form of Shares will be distributed in the form of additional A Shares.

CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE STOCK EXCHANGE

On June 29, 2023, the Stock Exchange and the Beijing Stock Exchange entered into a memorandum of understanding to reflect both exchanges' commitment to supporting cross listing. The dual-listing arrangement between the two exchanges is under development. As of the Latest Practicable Date, there are no other relevant rules or guidelines from the CSRC providing that A shares holders may convert A shares held by them into H shares for [**REDACTED**] on the Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

[**REDACTED**]

[**REDACTED**]

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our general Shareholders' meetings are required, see "Appendix V – Summary of Articles of Association" and "Appendix IV – Summary of Principal Legal and Regulatory Provisions."

TRANSFER OF SHARES ISSUED PRIOR TO THE [**REDACTED**]

During the listing stage on the Beijing Stock Exchange, the Controlling Shareholders of the Company, the Directors, Supervisors, senior management and core technical personnel of the Company and the subscribing shareholders of the 2021 private issuance have made certain lock-up undertakings, the details of which can be found in the relevant announcement of the Company published on February 23, 2023 on the Beijing Stock Exchange.

EMPLOYEE INCENTIVE PLAN

Please see "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan" for details.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**], the following persons will have an interest or short position in our Company which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date			Immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED])			Immediately following the completion of the [REDACTED] (assuming full exercise of the [REDACTED])		
Name of Shareholders	Nature of interest	Description of Shares	Number of Shares	Approximate percentage of interest in the relevant description of Shares	Approximate percentage of interest in the total issued share capital	Number of Shares	Approximate percentage of interest in the relevant description of Shares	Approximate percentage of interest in the total issued share capital	Number of Shares	Approximate percentage of interest in the relevant description of Shares	Approximate percentage of interest in the total issued share capital
Mr. Tao[(1)]	Interested in controlled corporations	A Shares	62,944,000	22.40%	22.40%	62,944,000	[REDACTED]%	[REDACTED]%	62,944,000	[REDACTED]%	[REDACTED]%
	Interest of a person acting in concert	A Shares	23,033,320	8.20%	8.20%	23,033,320	[REDACTED]%	[REDACTED]%	23,033,320	[REDACTED]%	[REDACTED]%
Sirius Holding Group[(1)(2)]	Beneficial owner	A Shares	62,944,000	22.40%	22.40%	62,944,000	[REDACTED]%	[REDACTED]%	62,944,000	[REDACTED]%	[REDACTED]%
	Interest of a person acting in concert	A Shares	23,033,320	8.20%	8.20%	23,033,320	[REDACTED]%	[REDACTED]%	23,033,320	[REDACTED]%	[REDACTED]%
Jianglin Weihua[(1)]	Beneficial owner	A Shares	22,200,000	7.90%	7.90%	22,200,000	[REDACTED]%	[REDACTED]%	22,200,000	[REDACTED]%	[REDACTED]%
	Interest of a person acting in concert	A Shares	63,777,320	22.70%	22.70%	63,777,320	[REDACTED]%	[REDACTED]%	63,777,320	[REDACTED]%	[REDACTED]%
XJ Biotechnology[(1)]	Beneficial owner	A Shares	833,320	0.30%	0.30%	833,320	[REDACTED]%	[REDACTED]%	833,320	[REDACTED]%	[REDACTED]%
	Interest of a person acting in concert	A Shares	85,144,000	30.31%	30.31%	85,144,000	[REDACTED]%	[REDACTED]%	85,144,000	[REDACTED]]%	[REDACTED]%

Notes:

(1) As of the Latest Practicable Date, Mr. TAO Tao (陶濤) directly held 78.60% of the equity interest of Sirius Holding Group. Sirius Holding Group directly held 82.91% of the equity interest of XJ Biotechnology. Pursuant to the concert agreement April 16, 2021 and supplemental concert agreement dated July 29, 2021 among Mr. Tao, Sirius Holding Group, Jianglin Weihua and XJ Biotechnology, Sirius Holding Group, Jianglin Weihua and XJ Biotechnology agreed to act in concert with each other and vote in agreement with Mr. Tao at general meetings of our Company, an arrangement that will expire if and when only one of the aforesaid parties holds our Shares. Therefore, Mr. Tao is deemed to be interested in the Shares held by each of Sirius Holding Group, Jianglin Weihua and XJ Biotechnology under the SFO. Sirius Holding Group is deemed to be interested in the Shares held by Jianglin Weihua and XJ Biotechnology under the SFO. Jianglin Weihua is deemed to be interested in the Shares held by Sirius Holding Group and XJ Biotechnology under the SFO. XJ Biotechnology is deemed to be interested in the Shares held by Sirius Holding Group and Jianglin Weihua under the SFO. Please refer to "History, Development and Corporate Structure – Concert Agreements" for further details.

(2) As of the Latest Practicable Date, Jianglin Weihua was held by Mr. LIU Yongjiang (劉永江), Dr. Chen Xiaojiang (陳小江), Dr. MA Runlin (馬潤林), Yao Miansong (姚綿嵩) and XJ Biotechnology as to 35.49%, 43.88%, 9.40%, 5.61% and 5.61%, respectively. Therefore, each of Mr. Liu and Dr. Chen is deemed to be interested in the Shares held by Jianglin Weihua under the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the [**REDACTED**] (and the [**REDACTED**] of any additional H Shares which may be [**REDACTED**] pursuant to the [**REDACTED**]), have an interest or short position in our Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned by Sirius Holding Group, Jianglin Weihua and XJ Biotechnology as to 22.4%, 7.9% and 0.3%, respectively. Sirius Holding Group, which owned 82.91% shares of XJ Biotechnology and therefore controlled XJ Biotechnology, was in turn owned by Mr. TAO Tao (陶濤) ("**Mr. Tao**") as to 78.6% and therefore controlled by Mr. Tao. Mr. Tao, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua have been acting in concert since April 16, 2021, details of which are set forth in "History, Development and Corporate Structure – Concert Agreements." As such, Mr. Tao, Sirius Holding Group, XJ Biotechnology and Jianglin Weihua were collectively entitled to exercise voting rights attaching to approximately 30.6% of the total issued Shares of our Company as of the Latest Practicable Date and will remain our Controlling Shareholders as at the date of this Document.

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Company will be held directly by Sirius Holding Group, Jianglin Weihua and XJ Biotechnology as to [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]%, respectively. Mr. Tao, Sirius Holding Group, Jianglin Weihua and XJ Biotechnology will continue to act in concert and thus be collectively entitled to exercise voting rights attaching to approximately [**REDACTED**]% of the total issued Shares of our Company. Therefore, they will not be Controlling Shareholders but will remain our single largest group of Shareholders upon [**REDACTED**].

COMPETITION

We are a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, on the path to becoming a biopharma company. Our Controlling Shareholders and our Directors confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

For the purpose of the listing of our A Shares on the Beijing Stock Exchange in 2023, each of our Controlling Shareholders entered into an irrevocable non-competition undertaking in 2022 (the "**2022 Non-competition Undertakings**") in favor of the Company, pursuant to which, the Controlling Shareholders have respectively undertaken that (i) he/it, companies controlled by him/it and his close relatives (including immediate family members and relatives) did not and will not engage in any business that competes with, or may compete with, the Company's business, nor will any of them facilitate, procure or represent any third party in engaging in any business that competes with, or may compete with, the Company's current and future business; (ii) he/it and his close relatives did not and will not hold any interest or control in, or any position as a director, supervisor, senior management or core technology personnel, in any business that competes with the Company; and (iii) in the event where he/it or any of his close relatives has any business opportunity same as, or similar to, the Company's

business, he/it will inform the Company immediately and offer the Company such business opportunities unconditionally. The 2022 Non-competition Undertakings have been in effect since early 2022 and shall remain in effect until (i) Mr. Tao ceases to be the actual controller of the Company in the context of the PRC laws, (ii) Sirius Holding Group ceases to be a controlling shareholder of the Company in the context of the PRC laws and (iii) XJ Biotechnology or Jianglin Weihua ceases to act in concert with Mr. Tao. If any of our Controlling Shareholders fails to comply with the above non-competition undertakings, he/it agrees to account to our Company for benefits and interests that may be obtained, and compensate our Company for all the actual economic losses that our Company may suffer, as a result of such breach.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [**REDACTED**].

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Board of Supervisors comprises three Supervisors. Our senior management (excluding Directors) comprises seven members, a majority of whom have been serving in our Group for more than eight years. For further information about our Directors, Supervisors and senior management, please refer to the section headed "Directors, Supervisors and Senior Management" in this Document.

Save as disclosed below, none of our Directors, Supervisors or members of senior management holds any other position in any of our Controlling Shareholders or their respective close associates:

Name of Director/ Supervisor	Position held in our Company	Position(s) held in our Controlling Shareholders and/or their close associates
Mr. LIU Yongjiang (劉永江)	Executive Director, chairman of the Board and chief scientific officer	Manager and executive director of Jianglin Weihua, which does not have material business operations.

Name of Director/ Supervisor	Position held in our Company	Position(s) held in our Controlling Shareholders and/or their close associates
Mr. HAO Chunli (郝春利) ("**Mr. Hao**")	Executive Director, vice chairman of the Board and chief operating officer	Non-executive director of Sirius Holding Group.
Mr. TAO Ran (陶然)	Executive Director and chief executive officer	• Non-executive director of Sirius Holding Group; • Non-executive director of XJ Biotechnology; and • Chairman of the board of directors and non-executive director of Phasemicro Electronics (Suzhou) Co., Ltd. (泛升雲微電子(蘇州)有限公司), which is owned by Sirius Holding Group as to approximately 43.48% and mainly engages in the design and development of chips.
Mr. Tao	Non-executive Director	• Chairman of the board of directors and general manager of Sirius Holding Group; • Executive director of Heihe Star River Industrial Development Co. Ltd. (黑河星河實業發展有限公司), which is wholly owned by Sirius Holding Group and primarily engages in warehouse storage and construction of specialized petroleum facilities; • Chairman of the board of directors of Heilongjiang Red Valley Automotive Test Co. Ltd. (黑龍江紅河谷汽車測試股份有限公司) ("**Heilongjiang Red Valley**") (NEEQ: 839750), which is owned by Sirius Holding Group as to 55.97% and primarily provides automotive testing services; • Director of Hainan Red Valley Automotive Technology Co. Ltd. (海南紅河谷汽車科技有限公司), which is indirectly controlled by Sirius Holding Group through Heilongjiang Red Valley and mainly provides automotive testing services; and • Director of Heihe Red Valley International Ski Resort Co., Ltd. (黑河紅河谷國際滑雪場有限責任公司), which is indirectly controlled by Sirius Holding Group and mainly engages in the construction and operation management of ski infrastructure.

Name of Director/ Supervisor	Position held in our Company	Position(s) held in our Controlling Shareholders and/or their close associates
Ms. LI Hui (李輝)	Non-executive Director	• Director of Beijing Xintong Future Technology Development Co. Ltd. (北京芯通未來科技發展有限公司) ("**Xintong Future**"), which is ultimately controlled by Sirius Holding Group and primarily engages in the R&D and sales of chips.
Mr. WANG Zexue (王澤學)	Chairman of the Board of Supervisors and Supervisor	• Supervisor of XJ Biotechnology; • Chairman of the board of supervisors of Heilongjiang Red Valley; • Director of Suzhou SimpLight Nanoelectronics Co., Ltd. (蘇州簡約納電子有限公司), which is owned by Sirius Holding Group as to 35.90% and mainly engages in the R&D and sales of mobile communication baseband processors; • Executive director and general manager of Heilongjiang Amu'er Energy Engineering Co., Ltd. (黑龍江阿穆爾能源工程有限公司) ("**Amu'er Energy**"), which is owned by Sirius Holding Group as to 75% and primarily engages in exporting electric power equipment and technology; and • Executive director of Ningbo Silu Supply Chain Management Co., Ltd. (寧波思露供應鏈管理有限公司), which is indirectly controlled by Sirius Holding Group through Amu'er Energy and mainly engages in supply chain management and exports.
Ms. CHEN Xin (陳欣)	Supervisor	• Head of finance of Sirius Holding Group; and • Head of finance of Sirius (Hainan) Technology Co., Ltd. (天狼星(海南)科技有限公司), which is owned by Sirius Holding Group as to 60% and primarily engages in exporting metals, machinery and equipment.

Notwithstanding the roles of our Directors, Supervisors and senior management members described above, our Directors are of the view that our Company is able to function independently from our Controlling Shareholders for the following reasons:

(i) each of our Directors is aware of his/her fiduciary duties which require, among other things, that he/she shall act for the benefit and in the interest of the Company and shall not allow any conflict between his/her duties in our Company and his/her personal interests;

(ii) a majority of our Directors are independent of our Controlling Shareholders and decisions of the Board require the approval of a majority vote from the Board. Therefore, the Board is not under significant influence of our Controlling Shareholders and can manage the operation of our Company independently of our Controlling Shareholders;

(iii) the day-to-day management and operations of our Group are responsible and carried out by our executive Directors and senior management team, most of whom are independent of our Controlling Shareholders and have substantial experience in the industry in which our Group is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(iv) although Mr. LIU Yongjiang, our executive Director, serves as an executive director of Jianglin Weihua, Mr. Liu's executive role in Jianglin Weihua will not impact the effectiveness and independence of his role in the Company because Jianglin Weihua does not have material business operations;

(v) although (a) Mr. Hao, our executive Director, vice chairman of the Board and chief operating officer, served as a non-executive director of Sirius Holding Group; and (b) two non-executive Directors, namely, Mr. Tao and Ms. LI Hui (李輝), and two Supervisors, namely, Mr. WANG Zexue (王澤學) and Ms. CHEN Xin (陳欣), hold directorships or managerial roles in Sirius Holding Group and/or certain of its subsidiaries, none of them serves executive or managerial roles in both our Group and Sirius Holding Group concurrently, and none of Sirius Holding Group and its subsidiaries engage in any same or similar business as the Company's business. In particular, our Supervisors are responsible for supervising the performance of duties by Directors and senior management and will not participate in the daily management and operation of our Company. Therefore, their directorships or managerial roles in Sirius Holding Group and/or certain of its subsidiaries will not impact the effectiveness and independence of his/her role in the Company;

(vi) except for the roles mentioned in paragraphs (iv) and (v) above, none of our Directors, Supervisors or senior management team members hold any executive senior management position in our Controlling Shareholders or their close associates upon the [**REDACTED**];

(vii) there is not, and will not be, any competition in business between the Group and our Controlling Shareholders or their close associates, pursuant to the Non-competition Undertakings. Therefore, our Directors and Supervisors are unlikely to have a conflict of interest with our Group resulting from serving in such companies;

(viii) we have appointed three independent non-executive Directors, representing one third of the total members of the Board, who have sufficient knowledge, experience and competence, so there is a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors to ensure the independence of Board in making decisions affecting our Company and to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and Controlling Shareholders or their respective associates;

(ix) as a company listed on the Beijing Stock Exchange, we have already formulated comprehensive and effective corporate internal control and management systems in compliance with the requirements of the rules of the Beijing Stock Exchange. Our Company has established internal control mechanisms to avoid conflict of interest, in that our Shareholders or Directors will abstain from voting on the relevant resolutions approving any transaction in which they have conflicting interests, and shall not be counted towards the quorum for the voting; and

(x) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. For details, see "– Corporate Governance Measures" below.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Directors believe that we can continue operating independently from our Controlling Shareholders after the [**REDACTED**] for the following reasons:

(i) we conduct our operations, make and implement operational decisions independently;

(ii) we have the necessary qualifications for carrying out our business;

(iii) we have independent R&D and production capabilities, and do not rely on the R&D or production capacities of our Controlling Shareholders;

(iv) we have independent channels to contact customers and suppliers, and have our own management team to carry out business, and we will not rely on the sales and supplies channels of our Controlling Shareholders or their close associates (other than our Group);

(v) we have our own accounting and financial department, human resources and administration department, internal control department and technology department (including research and development function) which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates; and

(vi) We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

Financial Independence

To date, our Controlling Shareholders had provided the Company with guarantees for a total of RMB150 million credit facilities. A total of RMB50 million of bank borrowings were drawn under the facilities and the outstanding bank borrowings guaranteed by our Controlling Shareholders. The following table sets forth the details of such bank borrowings (the "**Guaranteed Financings**") and the guarantees (the "**Connected Guarantees**"):

Lender	Amount of the total credit facilities *(RMB)*	Amount of borrowings drawn under the credit facilities as of the Latest Practicable Date *(RMB)*	Amount of borrowings guaranteed by our Controlling Shareholders *(RMB)*	Terms of the credit facilities	Nature of financial assistance
Bank of Beijing Co., Ltd. (Beijing Economic and Technological Development Zone Branch) (北京銀行股份有限公司北京經濟技術開發區支行)	80 million	50 million[(1)]	50 million	From February 22, 2023 to February 21, 2024	Guaranteed by Sirius Holding Group, Mr. Tao and his spouse, Mr. Hao and his spouse
Industrial Bank Co., Ltd. Beijing Economic and Technological Development Zone Branch (興業銀行股份有限公司北京經濟技術開發區支行)	70 million	–	–	From October 30, 2023 to October 29, 2024	Guarantee provided by Mr. Tao

Note:

(1) Including (i) a total of borrowings of RMB13.13 million at an annual interest rate of 4% to mature in the third quarter of 2026, and (ii) a total of borrowings of RMB36.87 million at an annual interest rate of 3.9%, among which RMB20 million will mature in the fourth quarter of 2024 and the remaining will mature in late 2026.

Considering that the commercial terms of the Guaranteed Financings are favorable to the Group and keeping the Guaranteed Financings in place would help the Company maintain the stability of its cash flows, our Directors believe that it would be in the best interests of the Company and our Shareholders if the Connected Guarantees survive after [**REDACTED**]. Our Directors are of the view that our Company is financially independent from the Controlling Shareholders, and the Connected Guarantees will not affect our financial independence based on the following reasons:

(i) Ability to Secure Financing Independently

Historical fundraising activities and independent ability to obtain financing

We have adequate internal resources and a credit profile to support our daily operations. During the Track Record Period, we were able to conduct various fundraising activities without financial assistance from the Controlling Shareholders. We obtained the Guaranteed Financings because we considered it was in the best interests of our Group and our Shareholders as a whole.

Since our successful listing on the NEEQ in 2015 and prior to our listing on the Beijing Stock Exchange, we had been able to raise fund of RMB1,655.4 million in public markets through several private placements to independent third party investors. Our listing on the Beijing Stock Exchange in March 2023 enabled us to tap domestic investors in public offering directly and raised proceeds of RMB294 million. Meanwhile, it increases our exposure to local capital market and improve our credit profile when we obtain bank financing.

In addition, we have been able to secure financing from commercial banks in the PRC based on our stand-alone credit. As of the Latest Practicable Date, we had an aggregate of banking facilities not guaranteed by the Controlling Shareholders of approximately RMB250 million which serve as additional, readily available sources of funding in case any financial needs arise for the following 18 months. Such banking facilities were on normal commercial terms without any security or guarantee from any of our Controlling Shareholders or their close associates other than the Group. We have established long-term business relationships with relevant commercial banks in the PRC, and we believe that we are able to obtain bank credit facilities from commercial banks on competitive terms to finance our business and development needs.

Future fundraising activities

Depending on our financial needs after the [**REDACTED**], we are able to conduct further fundraising activities, including but not limited to share placement and issuance of debt or convertible securities on both onshore and offshore markets. Also, we believe key financial institutions in China, where our operations are mainly carried out, recognize the R&D credit of our Group and are willing to grant credit lines without financial assistance from our Controlling Shareholders or their close associates. We have been able

to finance our daily operations without any support from our Controlling Shareholders. Our fundraising activities conducted during the Track Record Period set out in the preceding paragraph has proven our independent fundraising ability and we believe we will continue to be able to raise funds as and when such need arises.

(ii) Expected Reduction in the Guaranteed Financings and Connected Guarantees

It is also noted that loans guaranteed by controlling shareholder or the single largest group of shareholders are not uncommon in the Chinese corporate financing market and banks will routinely ask for guarantee from controlling shareholder or the single largest group of shareholders in connection with a corporate loan. The Company expects to obtain independent financings on similar conditions. After the [**REDACTED**], the Company plans to replace the Guaranteed Financings with independent financings that are on similar commercial terms or better upon the [**REDACTED**]. Therefore, the risk exposure and reliance on the Guaranteed Financings and the Connected Guarantees are expected to be substantially reduced after the [**REDACTED**]. We believe that we would be able to replace the Guaranteed Financings with loans from Independent Third Parties without Connected Guarantees and/or by cash and cash equivalents held by us if needed, but given the continuous R&D activities and construction of Kunming facility, as well as the additional costs, expenses and time in terminating the Connected Guarantees, we consider it is in the best interests of our Group and our Shareholders as a whole to maintain the Connected Guarantees.

(iii) Independent Financial Operation

We have independent internal control, financial and accounting systems. We also have an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations.

The Connected Guarantees are solely for the Guaranteed Financings. As the Connected Guarantees are provided by Sirius Holding Group, our Controlling Shareholder, Mr. Tao, our Controlling Shareholder and our non-executive Director, and Mr. Hao, our executive Director, and their close associates, Connected Guarantees will therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon [**REDACTED**]. Since our Directors are of the view that each of the Connected Guarantees is on normal commercial terms to the Group, and such guarantees are not secured by assets of the Group, the Connected Guarantees are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Save as disclosed herein and in the section headed "Financial Information" and the Accountants' Report set out in Appendix I to this Document, none of the Controlling Shareholders or their close associates had provided any loans, guarantees or pledges to our Group, nor did our Group provide any loans, guarantees or pledges to our Controlling Shareholders or their close associates.

Based on the reasons above, notwithstanding the Connected Guarantees provided by the Controlling Shareholders, our Directors believe that we are capable of remaining financially independent from our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the code provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance. Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders or their close associates:

(a) we have established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if we enter into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;

(b) our Company has appointed independent non-executive Directors to ensure the effective exercise of independent judgements on the decision-making process of our Board and provide independent advice to our Shareholders;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Company shall disclose decisions with basis on matters reviewed by the independent non-executive Directors either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the Listing Rules;

(e) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for their annual review;

(f) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board, he/she/they may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association;

(g) our Company has appointed SPDB International Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal control; and

(h) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's cost.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

You should read the following discussion and analysis in conjunction with our historical financial information, together with the accompanying notes, included in the Accountants' Report set out in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not rely solely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual performance may differ materially from those anticipated in these forward-looking statements, as a result of various risks and uncertainties over which we do not have full control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are a clinical-stage vaccine developer in China with the most comprehensive HPV vaccine franchise globally, on the path to becoming a biopharma company. Our three-asset HPV vaccine franchise presents high commercial visibility and is leading the industry to address the needs of different underserved populations. Our near-commercial trivalent HPV vaccine candidate, a Core Product, is uniquely designed to protect females in East Asia, with a BLA expected to be filed in China by the end of 2024. Our phase III stage nonavalent HPV vaccine candidate, another Core Product, is expected to be one of the first homegrown nonavalent HPV vaccines approved for use in females, with a planned BLA filing in China in 2025, and the first homegrown nonavalent HPV vaccine candidate to have commenced pivotal efficacy trial in males in China. We are also actively developing our nonavalent HPV vaccine candidate overseas, with a phase III clinical trial ongoing in Indonesia in females, and a BLA expected to be filed with the Indonesian BPOM in 2025. Our phase I-ready 15-valent HPV vaccine candidate is of the highest-valency among all HPV vaccines worldwide that are commercially available or have obtained IND approval. We are also developing six pre-clinical vaccine candidates that target disease areas with unmet medical needs or necessitating vaccine upgrades. During the Track Record Period, we incurred significant resources in the R&D of our vaccine candidates, resulting in a net loss of RMB292.8 million and RMB224.9 million in 2022 and the nine months ended September 30, 2023.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period. We have not adopted any new standards or interpretations that were not yet effective during the Track Record Period. See note 2.2 to the Accountants' Report set out in Appendix I to this Document for details. Our historical financial information has been prepared under the historical cost convention.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following:

Our Ability to Successfully Develop and Commercialize Our Vaccine Candidates

Our vaccine candidates are in different stages of development. Our business and results of operations depend on our ability to progress our vaccine development programs successfully, demonstrate satisfactory safety and efficacy clinical trial results, obtain regulatory approvals, and successfully launch our products in our target markets as planned. We are a pioneer in HPV vaccine development in China, with the most comprehensive clinical-stage HPV vaccine franchise globally. In addition to our HPV vaccine franchise, we are also developing six other vaccine candidates that target disease areas with unmet medical needs or necessitating vaccine upgrade.

Although we currently have no vaccines approved for commercial sale and have not generated any revenue from vaccine sales, we expect to commercialize one or more of our vaccine candidates over the coming years as they move towards the late stages of clinical development. Our trivalent HPV vaccine candidate and nonavalent HPV vaccine candidate are both in phase III clinical trials in China. We currently expect to submit the BLA for our trivalent HPV vaccine candidate for females to the NMPA by the end of 2024 and to submit the BLA for our nonavalent vaccine candidate for females in 2025 and for males in 2027. We are also conducting a phase III clinical trial of our nonavalent HPV vaccine candidate in females in Indonesia and expect to submit the BLA in Indonesia in 2025. After these vaccine candidates are commercialized, our business and results of operations will depend on the market acceptance and sales of these vaccines.

We are also advancing our other vaccine candidates towards clinical trials. These vaccines may require significant R&D and marketing efforts before we generate any revenue from its sales. Our results of operations will be affected by the timing of clinical trials, regulatory approval and commercial launch of these products. See "Business – Our Vaccine Pipeline" for more information on the development status of our various vaccine candidates.

Operating Expenses and Capital Expenditure

In the past, we have incurred significant expenditures in the R&D of our vaccine candidates, daily operations and the construction of our Kunming facility, which have significantly affected our cash flow, liquidity position and results of operations.

- ***Research and development.*** R&D of vaccines is our primary business activity. For the year ended December 31, 2022 and the nine months ended September 30, 2023, our research and development expenses amounted to RMB236.7 million and RMB177.0 million, respectively, which accounted for 74.9% and 73.0%, respectively, of our total operating expenses, which consists administrative expenses and research and development expenses. In addition, we recorded intangible assets of RMB152.9 million as of September 30, 2023, which represented certain capitalized qualified research and development costs in relation to our nonavalent HPV vaccine candidate (male indication).

- ***Daily operation.*** We also incurred significant administrative expenses to support our daily operation. For the year ended December 31, 2022 and the nine months ended September 30, 2023, our administrative expenses amounted to RMB79.1 million and RMB65.4 million, respectively.

- ***Construction of Kunming facility.*** We started to construct our Kunming facility in 2021. As such, we incurred significant capital expenditures in this regard during the Track Record Period. In 2022 and the nine months ended September 30, 2023, our capital expenditure relating to construction in progress amounted to RMB330.1 million and RMB292.2 million, respectively.

In 2022 and the nine months ended September 30, 2023, we recorded net decreases in cash and cash equivalents of RMB544.0 million and RMB412.2 million, respectively, which contributed to our net current liabilities of RMB139.0 million as of September 30, 2023. We also recorded a net loss of RMB292.8 million and RMB224.9 million in 2022 and the nine months ended September 30, 2023, which were primarily due to the operating expenses we incurred to fund our R&D projects and daily operations.

Our Ability to Maintain Adequate Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity and debt financing. We expect to continue to require significant funding for our R&D activities and daily operations. Any changes in our ability to fund our operations will impact our cash flow and our results of operations. As of November 30, 2023, we had cash and cash equivalents of RMB228.6 million. We obtained additional banking facilities in December 2023 and January 2024 and to date we have RMB328.2 million of unutilized banking facilities. Going forward, we plan to fund our business operation and capital expenditure with our existing cash and cash equivalents, [**REDACTED**] from the [**REDACTED**] and bank loans. We may also further require funding from equity or debt financing, or other resources. In the event of successful

commercialization of one or more of our vaccine candidates, we expect to fund our operations in part with revenue generated from sales of our products. We will incur finance costs if we continue to rely on bank borrowings. In 2022 and the nine months ended September 30, 2023, we recorded interest on bank and other borrowings of RMB13.7 million and RMB5.8 million, respectively.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events, that are believed to be reasonable under the circumstances, from which our actual results may differ.

Set out below are a summary of the significant accounting policies, judgements and estimates which we believe are most important for understanding our results of operations and financial condition. See notes 2.3 and 3 to the Accountants' Report set out in Appendix I to this Document for a detailed description of our significant accounting policies, judgments and estimates.

Material Accounting Policies

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in our financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in our financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the Track Record Period.

Intangible Assets (Other Than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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 at each financial year end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Patents are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) our intention to complete and our ability to use or sell the asset, (iii) how the asset will generate future economic benefits, (iv) the availability of resources to complete the project, and (v) the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

For class I innovative vaccines (vaccines that have not been previously approved for sale in China or abroad), after obtaining new drug application approval from drug regulatory organization, development costs are recognized as assets when the above criteria are met.

For improved vaccines (non-class I vaccines), after phase III clinical trials are conducted substantially, development costs at phase III are recognized as assets when the above criteria are met.

Development expenditures not satisfying the above criteria are recognized in profit or loss as incurred.

Development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the useful economic life of the related vaccine product. Amortization shall begin when we have obtained new vaccine product application approval from drug regulatory organization.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Share-based payments

We operate a Restricted Share Incentive Plan. Our employees (including Directors) receive remuneration in the form of share-based payments, whereby employees render services as in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 26 to the Accountants' Report set out in Appendix I to this Document.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of the Track Record Period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either us or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Significant Accounting Judgements

Identifying Performance Obligations under the Contract with Chengda Biotechnology

We provided research and development services to assist Chengda Biotechnology to develop and commercialize the 15-valent HPV vaccine candidate. As all the services provided by us under the contract are significantly correlated with Chengda Biotechnology and we will not be able to fulfil our obligation by transferring individual services separately, thus our obligation to provide research and development services under the contract is not separately identifiable and shall be identified as one performance obligation.

Research and Development Expenses

Development expenses incurred on our product pipelines are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalization.

Significant Accounting Estimates

Impairment of Non-financial Assets

We assessed whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the year ended December 31, 2022. The development cost not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Leases – Estimating the Incremental Borrowing Rate

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter

into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and are required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

DESCRIPTION OF SELECTED COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Revenue	**1,901**	**888**	**1,601**
Cost of sales	(49)	(35)	(71)
Gross profit	**1,852**	**853**	**1,530**
Other income and gain	25,643	20,389	20,809
Administrative expenses	(79,117)	(56,837)	(65,417)
Research and development expenses	(236,680)	(171,912)	(177,009)
Other expenses	(204)	(101)	(764)
Finance costs	(4,061)	(2,904)	(3,391)
Loss before tax	**(292,567)**	**(210,512)**	**(224,242)**
Income tax expense	(250)	(107)	(624)
Loss and total comprehensive loss for the year/period	**(292,817)**	**(210,619)**	**(224,866)**
Attributable to:			
Owners of the parent	(292,817)	(210,619)	(224,866)

Revenue

During the Track Record Period, we had no commercialized vaccines. We generated limited revenue from time to time during the Track Record Period from sales of testing reagents for R&D. For the year ended December 31, 2022 and the nine months ended September 30, 2022 and 2023, our revenue was RMB1.9 million, RMB0.9 million and RMB1.6 million, respectively.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of staff costs and raw material costs. For the year ended December 31, 2022 and the nine months ended September 30, 2022 and 2023, our cost of sales was RMB49 thousand, RMB35 thousand and RMB71 thousand, respectively.

Gross Profit and Gross Profit Margin

For the year ended December 31, 2022, and the nine months ended September 30, 2022 and 2023, our gross profit was RMB1.9 million, RMB0.9 million and RMB1.5 million, respectively. For the same periods, our gross profit margin was 97.4%, 96.1% and 95.6%, respectively.

Other Income and Gain

During the Track Record Period, our other income and gain primarily consisted of (i) government grants, mainly representing subsidies from government authorities for the purpose of supporting our research and development activities and business operations, (ii) bank interest income, and (iii) others, such as currency exchange gains. The following table sets forth a breakdown of our other income and gain for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,			
	2022		2022		2023	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
			(Unaudited)		*(Unaudited)*	
Government grants	1,020	4.0	397	1.9	13,246	63.7
Bank interest income	24,287	94.7	19,669	96.5	7,410	35.6
Others	336	1.3	323	1.6	153	0.7
Total	**25,643**	**100.0**	**20,389**	**100.0**	**20,809**	**100.0**

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs, representing employee salaries and benefits, (ii) share-based compensation, representing expenses in relation to our Restricted Share Incentive Plan for our management and administrative personnel, see "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan" for details, (iii) professional service fees, mainly paid to auditors, consultants, appraisers and other professional service providers for our Beijing Stock Exchange listing application and post-listing compliance matters, (iv) depreciation and amortization expenses mainly associated with our offices and equipment for administrative purposes, (v) office and travel expenses in relation to our general operations, (vi) maintenance, repair and renovation costs for offices and equipment, and (vii) others. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,			
	2022		2022		2023	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
			(Unaudited)		*(Unaudited)*	
Staff costs	46,334	58.6	33,349	58.7	42,585	65.1
Share-based compensation	5,992	7.6	5,023	8.8	2,922	4.5
Professional service fees	9,083	11.5	5,827	10.3	2,737	4.2
Office and travel expenses	5,758	7.3	4,074	7.2	7,749	11.8
Depreciation and amortization expenses	2,855	3.6	2,097	3.7	2,611	4.0
Maintenance, repair and renovation costs	1,737	2.2	1,470	2.6	1,732	2.6
Others	7,358	9.2	4,996	8.7	5,081	7.8
Total	**79,117**	**100.0**	**56,837**	**100.0**	**65,417**	**100.0**

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) trial and testing expenses, primarily in relation to our clinical trials, including expenses paid to CROs and clinical trial sites, (ii) staff costs, representing employee salaries and benefits, including the grant of restricted share units, for our R&D personnel, (iii) share-based compensation, representing expenses in relation to our Restricted Share Incentive Plan for our R&D personnel, see "Appendix VII – Statutory and General Information – D. Restricted Share Incentive Plan" for details, (iv) depreciation and amortization expenses, primarily associated with our facilities and equipment for R&D purposes, (v) raw material costs in relation to research and development of our vaccine candidates, and (vi) others, such as utilities, maintenance costs and travel expenses. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,			
	2022		2022		2023	
	(RMB'000)	*%*	*(RMB'000)* *(Unaudited)*	*%*	*(RMB'000)* *(Unaudited)*	*%*
Trial and testing expenses	155,979	65.9	114,236	66.5	96,406	54.5
Staff costs	53,709	22.7	37,271	21.7	52,068	29.4
Share-based compensation	3,286	1.4	2,761	1.6	1,251	0.7
Depreciation and amortization expenses	9,242	3.9	6,496	3.8	10,609	6.0
Raw material costs	9,203	3.9	7,408	4.3	10,432	5.9
Others	5,261	2.2	3,740	2.1	6,243	3.4
Total	**236,680**	**100.0**	**171,912**	**100.0**	**177,009**	**100.0**

We started to capitalize qualified research and development costs of our nonavalent HPV vaccine candidate (male indication) in early 2023, when we began substantive work on the phase III clinical trial. During the nine months ended September 30, 2023, we capitalized RMB152.9 million qualified research and development costs in relation to our nonavalent HPV vaccine candidate (male indication). See "– Description of Selected Items from the Consolidated Statements of Financial Position – Intangible Assets" for details.

In 2022 and the nine months ended September 30, 2022 and 2023, our research and development expenses and research and development costs incurred on our Core Products were RMB178.5 million, RMB126.0 million and RMB288.8 million, respectively. The following table sets forth a breakdown of these expenses and costs for the periods indicated.

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000)* *(Unaudited)*	*(RMB'000)* *(Unaudited)*
Trivalent HPV vaccine candidate	45,709	33,319	28,519
Nonavalent HPV vaccine candidate	132,810	92,646	260,244
Total	**178,519**	**125,965**	**288,763**

Other Expenses

During the Track Record Period, our other expenses primarily consisted of (i) net impairment losses on trade receivables, prepayments, other receivables and other assets, (ii) loss on disposal of assets, mainly from sale of fully depreciated fixed assets, and (iii) other non-operating expenses, such as penalty for our early termination of leases. The following table sets forth a breakdown of our other expenses for the periods indicated.

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Impairment losses	169	71	15
Loss on disposal of assets	35	30	93
Other non-operating expenses	–	–	656
Total	**204**	**101**	**764**

Finance Costs

Our finance costs consisted of (i) interest on bank and other borrowings, (ii) interest on lease liabilities, and (iii) interest on other borrowings. See "– Indebtedness" for details of our bank loans, other borrowings and lease liabilities. Certain of our finance costs incurred in relation to borrowings for the construction of our Kunming facility were capitalized. The following table sets forth a breakdown of our finance costs for the periods indicated.

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Interest on bank and other borrowings	13,654	9,305	5,784
Interest on lease liabilities	553	380	511
Others	233	234	49
Total interest expense	14,440	9,919	6,344
Less: Interest capitalized	(10,379)	(7,015)	(2,953)
Total	**4,061**	**2,904**	**3,391**

Income Tax

During the Track Record Period, our income tax consisted of current tax from inter-subsidiary leasing of premises. For the year ended December 31, 2022 and the nine months ended September 30, 2022 and 2023, our income tax expenses amounted to RMB0.3 million, RMB0.1 million and RMB0.6 million, respectively.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, our Company was recognized as high and new technology enterprise and the income tax rate applicable to our Company was 15%, while the tax rate of our two PRC subsidiaries is 25% during the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2022 Compared with Nine Months Ended September 30, 2023

Revenue

Our revenue increased from RMB0.9 million for the nine months ended September 30, 2022 to RMB1.6 million for the nine months ended September 30, 2023.

Cost of Sales

Our cost of sales increased from RMB35 thousand for the nine months ended September 30, 2022 to RMB71 thousand for the nine months ended September 30, 2023, in line with increase in revenue.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB0.9 million for the nine months ended September 30, 2022 to RMB1.5 million for the nine months ended September 30, 2023, in line with increase in revenue. Our overall gross profit margin remained stable at 96.1% and 95.6% for the nine months ended September 30, 2022 and 2023, respectively.

Other Income and Gain

Our other income and gain remained stable at RMB20.4 million and RMB20.8 million for the nine months ended September 30, 2022 and 2023, respectively. Our government grants increased from RMB0.4 million for the nine months ended September 30, 2022 to RMB13.2 million for the nine months ended September 30, 2023 primarily because we received a one-time government subsidy of RMB12 million as reward for our successful listing on the Beijing Stock Exchange. Our bank interest income decreased from RMB19.7 million for the nine months ended September 30, 2022 to RMB7.4 million for the nine months ended September 30, 2023 primarily due to a decrease in our cash and cash equivalents as we continued our R&D and construction of Kunming facility and repaid certain bank loans and other borrowings.

Administrative Expenses

Our administrative expenses increased by 15.1% from RMB56.8 million for the nine months ended September 30, 2022 to RMB65.4 million for the nine months ended September 30, 2023, which was primarily due to an increase of RMB9.2 million in staff costs as we recruited more employees as our operation scale grew.

Research and Development Expenses

Our research and development expenses remained stable at RMB171.9 million and RMB177.0 million for the nine months ended September 30, 2022 and 2023, respectively. Our staff costs increased by RMB14.8 million primarily because we had more R&D employees. Our trial and testing expenses decreased by RMB17.8 million primarily because we completed subject enrollment and dosing of subjects for our phase III clinical trial in females in China for the nonavalent HPV vaccine candidate in August 2022 and started to conduct follow-up visits on trial subjects since then, which resulted in less trial and testing expenses in the nine months ended September 30, 2023. During the nine months ended September 30, 2023, we capitalized RMB152.9 million qualified research and development costs in relation to our nonavalent HPV vaccine candidate (male indication).

Other Expenses

We incurred RMB0.8 million in other expenses for the nine months ended September 30, 2023 as compared to RMB0.1 million for the same period in 2022, which was primarily because we incurred penalty for our early termination of a lease in 2023.

Finance Costs

Our finance costs increased from RMB2.9 million for the nine months ended September 30, 2022 to RMB3.4 million for the nine months ended September 30, 2023, while our total interest expenses decreased from RMB9.9 million to RMB6.3 million during the same periods, primarily because we capitalized more interest expenses in relation to our Kunming facility for the nine months ended September 30, 2022 than the nine months ended September 30, 2023. Our total interest expenses decreased by 36.0% from RMB9.9 million to RMB6.3 million during the same periods as we repaid certain bank loans.

Income Tax

Our income tax expenses increased from RMB0.1 million for the nine months ended September 30, 2022 to RMB0.6 million for the nine months ended September 30, 2023.

Loss for the Period

As a result of the foregoing, our loss for the period increased by 6.8% from RMB210.6 million for the nine months ended September 30, 2022 to RMB224.9 million for the nine months ended September 30, 2023.

DESCRIPTION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Non-current assets		
Property, plant and equipment	475,352	768,096
Right-of-use assets	49,309	49,142
Intangible assets	–	152,860
Prepayments, other receivables and other assets	123,687	188,167
Total non-current assets	**648,348**	**1,158,265**
Current assets		
Inventories	4,669	7,039
Trade receivables	1,021	736
Prepayments, other receivables and other assets	63,961	17,012
Cash and cash equivalents	665,303	253,152
Total current assets	**734,954**	**277,939**
Current liabilities		
Trade payables	46,807	84,778
Other payables and accruals	97,579	188,470
Interest-bearing bank and other borrowings	132,386	60,512
Contract liabilities	71,500	77,050
Lease liabilities	3,866	5,749
Tax payable	142	415
Total current liabilities	**352,280**	**416,974**
Net current assets/(liabilities)	**382,674**	**(139,035)**
Total assets less current liabilities	**1,031,022**	**1,019,230**

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Non-current liabilities		
Interest-bearing bank borrowings	86,365	19,922
Deferred income	567	10,524
Lease liabilities	9,937	8,359
Total non-current liabilities	**96,869**	**38,805**
Net assets	**934,153**	**980,425**

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of (i) construction in progress, (ii) buildings, (iii) machinery and equipment, (iv) leasehold improvements, (v) office furniture, (vi) electronic equipment, and (vii) motor vehicles. Our property, plant and equipment increased by 61.6% from RMB475.4 million as of December 31, 2022 to RMB768.1 million as of September 30, 2023, primarily due to (i) an increase of RMB213.1 million in construction in progress mainly as we continued to construct our Kunming facility, and (ii) an increase of RMB73.7 million in buildings mainly as construction of certain buildings in Kunming facility was completed.

Right-of-use Assets

During the Track Record Period, our right-of-use assets were primarily related to leasehold land, leased buildings and motor vehicles. Our right-of-use assets remained relatively stable at RMB49.3 million and RMB49.1 million as of December 31, 2022 and September 30, 2023, respectively.

Intangible Assets

During the Track Record Period, our intangible assets primarily consisted of capitalized development cost in relation to our nonavalent HPV vaccine candidate (male indication), namely, the research and development costs incurred for this vaccine candidate since the substantive commencement of its phase III clinical trial.

We distinguish research and development costs of our vaccine candidates into research-stage costs and development-stage costs. Research-stage costs are recognized as expenses when incurred. Development-stage costs are capitalized when all of the following conditions are met: (i) it is technically feasible for us to commercialize the vaccine candidate; (ii) we have the intention to commercialize the vaccine candidate; (iii) the vaccine candidate will be able to generate economic benefits upon commercialization; (iv) we have resources to support the development and commercialization of the vaccine candidate; and (v) development-stage costs of the vaccine candidate can be reliably measured. Development-stage costs that do not meet the above conditions are recognized as expenses when incurred.

In making judgments whether a vaccine candidate has passed its research stage and entered into development stage, (i) for innovative vaccines, the starting point for entering into the development stage is the time BLA approval is obtained; and (ii) for improved vaccines, the starting point for entering into the development stage is the time the phase III clinical trial is carried out in substance. Our trivalent HPV vaccine candidate and nonavalent HPV vaccine candidate (female indication) were classified as innovative vaccines when granted IND approvals, and due to regulatory developments, our nonavalent HPV vaccine candidate (male indication) was classified as an improved vaccine when granted IND approval.

Our intangible assets increased from nil as of December 31, 2022 to RMB152.9 million as of September 30, 2023, primarily because we started to capitalize qualified research and development costs in relation to our nonavalent HPV vaccine candidate (male indication) in early 2023, when we began substantive work on the phase III clinical trial.

Our management performed impairment testing during the nine months ended September 30, 2023 for the development costs in relation to our nonavalent HPV vaccine candidate (male indication), which were not yet available for intended use. The recoverable amount is determined based on the fair value less costs of disposal. In assessing the fair value of the asset, the estimated future cash flows are discounted to their present value using a before-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The before-tax discount rate, the key assumption in our assessment, was 21.03%. See note 15 to the Accountants' Report set out in Appendix I to this Document for details.

Prepayments, Other Receivables and Other Assets

During the Track Record Period, our prepayments, other receivables and other assets primarily consisted of (i) prepayment for purchase of property, plant and equipment, primarily in relation to construction of Kunming facility, (ii) prepayments for R&D raw materials and R&D services, (iii) contract costs in relation to our 15-valent HPV vaccine candidate co-development project with Chengda Biotechnology, (iv) value-added tax recoverable, (v) prepaid listing expenses for the listing on the Beijing Stock Exchange, (vi) deposits paid during our business operation, and (vii) others. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Prepayments		
– current	54,657	15,675
– non-current	65,977	103,976
Contract costs	39,818	49,025
Value-added tax recoverable	15,962	32,958
Prepaid listing expenses for the listing on the Beijing Stock Exchange	7,644	–
Deposits	3,119	2,953
Others	642	793
	187,819	205,380
Impairment allowance	(171)	(201)
	187,648	205,179
Less: non-current portion	(123,687)	(188,167)
Current portion	63,961	17,012

Our prepayments, other receivables and other assets increased from RMB187.6 million as of December 31, 2022 to RMB205.2 million as of September 30, 2023 primarily due to (i) an increase of RMB38.0 million in non-current portion of prepayments, mainly in relation to purchase of property, plant and equipment and development costs of nonavalent HPV vaccine candidate (male indication), (ii) an increase of RMB17.0 million in value-added tax recoverable, primarily due to increase in deductible input tax as we had more procurement in relation to our Kunming facility construction, and (iii) an increase of RMB9.2 million in contract costs in relation to our 15-valent HPV vaccine candidate co-development project with Chengda Biotechnology.

Inventories

During the Track Record Period, our inventories primarily consisted of raw materials used for our R&D activities. Our inventories increased by 48.9% from RMB4.7 million as of December 31, 2022 to RMB7.0 million as of September 30, 2023, in line with our advancement of R&D activities.

As of November 30, 2023, RMB4.8 million, or 68.2% of our inventories as of September 30, 2023 had been subsequently consumed.

Trade Receivables

During the Track Record Period, our trade receivables primarily consisted of sales of intermediate product from R&D, namely testing reagents. The following table sets forth the details of our trade receivables as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Trade receivables	1,075	775
Impairment allowance	(54)	(39)
Total	**1,021**	**736**

Our trade receivables decreased by 27.9% from RMB1.0 million as of December 31, 2022 to RMB0.7 million as of September 30, 2023, reflecting fluctuation in sales revenue between different quarters.

The following table sets forth an aging analysis of our trade receivables presented based on the invoice date and net of loss allowance as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Within one year	1,021	736
Total	**1,021**	**736**

As of November 30, 2023, RMB0.7 million, or 100.0% of our trade receivables as of September 30, 2023 had been subsequently collected.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB665.3 million and RMB253.2 million as of December 31, 2022 and September 30, 2023, respectively. The decrease in our cash and cash equivalents was primarily because we continued our R&D and construction of Kunming facility and repaid certain bank loans and other borrowings.

Trade Payables

During the Track Record Period, our trade payables primarily consisted of payables to R&D suppliers. Our trade payables increased by 81.1% from RMB46.8 million as of December 31, 2022 to RMB84.8 million as of September 30, 2023, reflecting fluctuation due to progress of our clinical trials and settlement arrangements.

The following table sets forth an aging analysis of our trade payables presented based on the invoice date as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000)* *(Unaudited)*
Within 1 year	44,235	78,630
1 to 2 years	420	3,859
2 to 3 years	1,793	1,930
3 to 4 years	305	305
Over 5 years	54	54
Total	**46,807**	**84,778**

As of November 30, 2023, RMB5.9 million, or 7.0% of our trade payables as of September 30, 2023 had been subsequently settled.

Our Directors confirm that there has not been any material default on our part in the payment of trade payables during the Track Record Period and up to the date of this Document.

Other Payables and Accruals

During the Track Record Period, our other payables and accruals primarily consisted of (i) payables for purchase of property, plant and equipment, (ii) payroll payable, (iii) payables for development service, in relation to phase III clinical trial of our nonavalent HPV vaccine candidate (male indication), (iv) payables for repurchase of shares under the Restricted Share Incentive Plan, (v) other payables, and (vi) taxes other than income tax. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Payables for purchase of property, plant and equipment	64,615	132,790
Payroll payable	23,916	31,357
Payables for development service	–	17,117
Payable for repurchase of shares under the Restricted Share Unit Scheme	3,652	3,522
Other payables	4,585	3,016
Taxes other than income tax	811	668
Total	**97,579**	**188,470**

Our other payables and accruals increased from RMB97.6 million as of December 31, 2022 to RMB188.5 million as of September 30, 2023 primarily due to (i) an increase of RMB68.2 million in payables for purchase of property, plant and equipment as we continued to advance construction of our Kunming facility, (ii) an increase of RMB17.1 million in payables for development services as we carried out phase III clinical trial of our nonavalent HPV vaccine candidate (male indication) in 2023, and (iii) an increase of RMB7.4 million in payroll payable as we had more employees.

Our Directors confirm that there has not been any material default on our part in the payment of non-trade payables during the Track Record Period and up to the date of this Document.

Interest-bearing Bank and Other Borrowings

During the Track Record Period, our interest-bearing bank and other borrowings primarily consisted of (i) secured bank loans, (ii) unsecured bank loans, and (iii) secured other borrowings. As of December 31, 2022 and September 30, 2023, our interest-bearing bank and other borrowings amounted to RMB218.8 million and RMB80.4 million, respectively. Our interest-bearing bank and other borrowings decreased as we repaid certain bank and other borrowings. See "– Indebtedness" for details of our interest-bearing bank and other borrowings.

Contract Liabilities

During the Track Record Period, our contract liabilities primarily represented advancement from Chengda Biotechnology for our 15-valent HPV vaccine candidate co-development project. As of December 31, 2022 and September 30, 2023, we recorded contract liabilities of RMB71.5 million and RMB77.1 million, respectively. Our contract liabilities increased as the project advanced.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our leases of office premises and laboratory facilities. Under IFRS 16, we recognize lease liabilities with respect to all leases, except for short term leases and leases of low value assets. As of December 31, 2022 and September 30, 2023, we recorded lease liabilities of RMB13.8 million and RMB14.1 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash during the Track Record Period were to fund our research and development activities, the construction of our manufacturing facilities, and purchase of equipment and machinery. We recorded net cash used in operating activities of RMB310.3 million, RMB199.3 million and RMB115.8 million for the year ended December 31, 2022 and the nine months ended September 30, 2022 and 2023, respectively. During the Track Record Period, we primarily financed our operations and other capital requirements primarily through equity and debt financing. As of November 30, 2023, the latest practicable date for determining our indebtedness, we had cash and cash equivalents of RMB228.6 million. We obtained additional banking facilities in December 2023 and January 2024 and to date we have RMB328.2 million of unutilized banking facilities.

Current Assets and Liabilities

	As of December 31, 2022	As of September 30, 2023	As of November 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Current assets			
Inventories	4,669	7,039	8,333
Trade receivables	1,021	736	–
Prepayments, other receivables and other assets	63,961	17,012	37,202
Cash and cash equivalents	665,303	253,152	228,553
Total current assets	**734,954**	**277,939**	**274,088**
Current liabilities			
Trade payables	46,807	84,778	95,438
Other payables and accruals	97,579	188,470	239,456
Interest-bearing bank and other borrowings	132,386	60,512	61,286
Contract liabilities	71,500	77,050	80,550
Lease liabilities	3,866	5,749	6,718
Tax payable	142	415	415
Total current liabilities	**352,280**	**416,974**	**483,863**
Net current assets/(liabilities)	**382,674**	**(139,035)**	**(209,775)**

Our net current liabilities increased from RMB139.0 million as of September 30, 2023 to RMB209.8 million as of November 30, 2023, primarily attributable to (i) an increase of RMB51.0 million in other payables and accruals, and (ii) a decrease of RMB24.6 million in cash and cash equivalents, partially offset by an increase of RMB20.2 million in prepayments, other receivables and other assets.

We recorded net current assets of RMB382.7 million as of December 31, 2022 while we recorded net current liabilities of RMB139.0 million as of September 30, 2023, primarily attributable to (i) a decrease of RMB412.2 million in cash and cash equivalents mainly as we continued our R&D and construction of Kunming facility and repaid certain bank loans and other borrowings, and (ii) a decrease of RMB71.9 million in interest-bearing bank and other borrowings mainly as we repaid certain bank loans and other borrowings, partially offset by (i) an increase of RMB90.9 million in other payables and accruals, and (ii) an increase of RMB38.0 million in trade payables.

We recorded net current liabilities as of September 30, 2023 and as of November 30, 2023 primarily because we invested significant capital into the research and development of our vaccine candidates and the construction of our Kunming facility. These cash-intensive investments have been financed by equity and debt financing.

Working Capital Sufficiency

Going forward, we will closely monitor our liquidity position and maintain an adequate level of cash and cash equivalents to finance our operations and mitigate the impact of cash flow fluctuations. Although we recorded net current liabilities during the Track Record Period, our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to cover at least 125% of our costs, including research and development expenses and administrative expenses (including any production costs), for at least the next 12 months from the date of this Document. We plan to enhance our working capital position through the following measures:

- ***Available credit facilities and ability to obtain further borrowings.*** We obtained additional banking facilities in December 2023 and January 2024 and to date we have RMB328.2 million of unutilized banking facilities. We are currently in early negotiations with several banks regarding several new loans, and we anticipate to secure additional funding to supplement our capital needs. As of September 30, 2023, our total bank and other borrowings accounted for 8.2% of our total equity. We have historically been able to obtain bank credit facilities as needed to support our operations and believe that we will continue to be able to do so when necessary in the future.

- ***Ability to roll over or refinance existing bank borrowings.*** As of September 30, 2023, our current interest-bearing bank and other borrowings was RMB60.5 million and our non-current interest-bearing bank and other borrowings was RMB19.9 million. We have historically been able to roll over or refinance over borrowings based on our capital requirements. We believe that, going forward, we will be able to roll over or refinance our existing bank borrowings, especially current loans, when necessary.

- ***Commercialization of our vaccine candidates.*** Our Core Products, namely the trivalent HPV vaccine candidate and nonavalent HPV vaccine candidates are under phase III clinical trials and are approaching commercialization. We currently expect to submit a BLA for our trivalent HPV vaccine candidate in China by the end of 2024. In addition, for our nonavalent HPV vaccine candidate, we currently expect to submit BLA for its use in females in both China and Indonesia in 2025. Upon the successful commercialization of one or more of our vaccine candidates, we expect to fund our operations in part with income generated from sales of our commercialized vaccines.

- [**REDACTED**] ***from the*** [**REDACTED**]**.** We expect to receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million based on the low end of the [**REDACTED**] range set out in this Document. See "Future Plans and [**REDACTED**]" for details.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, payment for property, plant and equipment, payment for intangible assets and payment for leases. We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**], assuming no [**REDACTED**] is exercised and an [**REDACTED**] of HK$[**REDACTED**], being the [**REDACTED**] of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]. Assuming that our average cash burn rate going forward is 1.5 times the level of average monthly amount of net cash used in operating activities, payment for intangible assets and payment for leases during the Track Record Period, and 0.5 times the level of average monthly amount of payment for property, plant and equipment during the Track Record Period, we estimate that our cash and cash equivalents as of September 30, 2023 will be able to maintain our financial viability for over 39 months from September 30, 2023, if we take into account the estimated [**REDACTED**] from the [**REDACTED**].

Cash Flows

The following table sets forth the components of our consolidated statement of cash flows for the periods indicated:

	For the year ended December 31,	For the nine months ended September 30,	
	2022	2022	2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Operating cash flows before movements in working capital	(291,444)	(211,029)	(210,724)
Changes in working capital	(43,061)	(7,968)	87,854
Interest received	24,287	19,669	7,410
Income tax paid	(107)	–	(351)
Net cash flows used in operating activities	(310,325)	(199,328)	(115,811)
Net cash flows used in investing activities	(346,802)	(247,773)	(423,655)
Net cash flows from financing activities	113,081	63,932	127,308
Net decrease in cash and cash equivalents	(544,046)	(383,169)	(412,158)
Cash and cash equivalents at beginning of year/period	1,209,349	1,209,349	665,303
Effect of foreign exchange differences, net	–	–	7
Cash and cash equivalents at the end of year/period	**665,303**	**826,180**	**253,152**

Operating Activities

Our net cash used in operating activities was RMB115.8 million for the nine months ended September 30, 2023, primarily represented our loss before tax of RMB224.2 million, as further adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included an increase of RMB48.0 million in trade payables and a decrease of RMB24.7 million in prepayments, other receivables and other assets, and (ii) negative adjustments, which primarily included interest income of RMB7.4 million.

Our net cash used in operating activities was RMB310.3 million for the year ended December 31, 2022, primarily represented our loss before tax of RMB292.6 million, as further adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included an increase of RMB20.0 million in contract liabilities and share-based payment expense of RMB9.3 million, and (ii) negative adjustments, which primarily included an increase of RMB35.9 million in prepayments, other receivables and other assets, a decrease of RMB31.1 million in trade payables and interest income of RMB24.3 million.

Investing Activities

Our net cash used in investing activities was RMB423.7 million for the nine months ended September 30, 2023, primarily attributable to (i) purchases of items of property, plant and equipment of RMB281.7 million, and (ii) purchases of intangible assets of RMB141.9 million, partially offset by proceeds from disposal of property, plant and equipment of RMB6,000.

Our net cash used in investing activities was RMB346.8 million for the year ended December 31, 2022, primarily attributable to purchases of items of property, plant and equipment of RMB346.8 million, partially offset by proceeds from disposal of property, plant and equipment of RMB47,000.

Financing Activities

Our net cash generated from financing activities was RMB127.3 million for the nine months ended September 30, 2023, primarily attributable to (i) proceeds from issue of A Shares upon listing on the Beijing Stock Exchange of RMB280.8 million, and (ii) new bank loans of RMB47.8 million, partially offset mainly by (i) repayment of bank and other borrowings of RMB171.2 million, and (ii) interest paid of RMB16.8 million.

Our net cash generated from financing activities was RMB113.1 million for the year ended December 31, 2022, primarily attributable to new bank loans of RMB128.4 million, partially offset mainly by (i) share issue expenses of RMB5.2 million, and (ii) principal portion of lease payments of RMB4.9 million.

Cash Operating Costs

The following table provides information regarding our cash operating costs for the periods indicated.

	For the year ended December 31, 2022	For nine months ended September 30, 2023
	(RMB'000)	*(RMB'000)*
R&D costs		
R&D costs for our Core Products[(1)]		
Clinical trial expenses	144,111	241,932
Raw material costs	3,593	3,331
Workforce employment[(2)]	24,088	33,082
Depreciation and amortization	3,470	4,158
Other significant expenses[(3)]	3,257	6,260
Subtotal	178,519	288,763
R&D costs for other vaccine candidates		
Pre-IND expenses	11,868	1,275
Raw material costs	5,610	4,647
Workforce employment[(2)]	32,908	26,407
Depreciation and amortization	5,771	6,451
Other significant expenses[(3)]	2,004	2,326
Subtotal	58,161	41,106
Product marketing costs[(4)]	–	–
Direct production costs[(5)]	–	–
Contingency allowance	–	–
Total	236,680	329,869

Notes:

(1) Includes the capitalized research and development costs in relation to our nonavalent HPV vaccine candidate (male indication). See "– Description of Selected Items from the Consolidated Statements of Financial Position – Intangible Assets" for details.

(2) Workforce employment represented our staff costs for our R&D staff mainly including salaries and benefits.

(3) Other significant expenses mainly included energy costs, travelling expenses and maintenance costs in relation to the research and development of vaccine candidates.

(4) We had not commenced vaccine sales as of the Latest Practicable Date.

(5) We had not commenced commercial manufacturing as of the Latest Practicable Date.

INDEBTEDNESS

As of December 31, 2022, September 30, 2023 and November 30, 2023, being the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31, 2022	As of September 30, 2023	As of November 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Current			
Interest-bearing bank and other borrowings	132,386	60,512	61,286
Lease liabilities	3,866	5,749	6,718
	136,252	66,261	68,004
Non-current			
Interest-bearing bank and other borrowings	86,365	19,922	29,500
Lease liabilities	9,937	8,359	7,159
Total	**232,554**	**94,542**	**104,663**

Except as discussed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

Bank Loans and Other Borrowings

Our bank loans and other borrowings were primarily used for our R&D, operation and to supplement our working capital during the Track Record Period. The following tables set forth the breakdown of our bank and other borrowings as of the dates indicated.

		As of November 30, 2023		
	Note	**Effective interest rate**	**Maturity**	**Amount**
				(RMB'000)
				(Unaudited)
Current				
Bank loans – secured	*(i)(iii)*	3.90%-4.35%	2023-2024	36,750
Bank loans – unsecured	*(ii)*	3.40%-3.50%	2023-2024	24,036
Current portion of long-term bank loans – secured	*(iii)*	3.90%-4.00%	2024	500
				61,286
Non-current				
Bank loans – secured	*(iii)*	3.90%-4.00%	2026	29,500
Total				**90,786**

		As of September 30, 2023		
	Note	**Effective interest rate**	**Maturity**	**Amount**
				(RMB'000) *(Unaudited)*
Current				
Bank loans – secured	*(i)*	4.35%	2023	36,176
Bank loans – unsecured	*(ii)*	3.40%-3.50%	2023-2024	24,036
Current portion of long-term bank loans – secured	*(iii)*	3.90%-4.00%	2024	300
				60,512
Non-current				
Bank loans – secured	*(iii)*	3.90%-4.00%	2025-2026	19,922
Total				80,434

		As of December 31, 2022		
	Note	**Effective interest rate**	**Maturity**	**Amount**
				(RMB'000)
Current				
Bank loans – secured	*(i)*	4.35%	2023	56,176
Current portion of long-term bank loans – secured	*(iii)*	5.45%	2023	5,304
Other borrowings – secured	*(iv)*	3%	2023	6,695
Other borrowings – secured	*(v)*	8%	2023	64,211
				132,386
Non-current				
Bank loans – secured	*(iii)*	5.45%-5.60%	2024-2031	86,365
Total				218,751

Notes:

(i) In June 2022, we entered into a secured loan agreement with a bank, pursuant to which, the bank agreed to provide a credit facility of RMB70.0 million for a term of 12 months. As of December 31, 2022 and September 30, 2023, RMB56,176,000 and RMB36,176,000, respectively, had been utilized at a fixed interest rate of 4.35% per annum. From September 30, 2023 to November 30, 2023, we repaid RMB5,573,273.

Sirius Holding Group, Mr. Hao Chunli and his spouse and Mr. Tao Tao and his spouse had provided guarantees for the above bank loans.

(ii) In December 2022, we entered into an unsecured loan agreement with a bank, pursuant to which, the bank agreed to provide a credit facility of RMB30.0 million for a term of 12 months. As of September 30, 2023, RMB4,036,000 had been utilized at a fixed interest rate per annum determined at one-year LPR minus 0.25% on the day before the withdrawal day.

In December 2022, we entered into an unsecured loan agreement with a bank, pursuant to which, the bank agreed to provide a credit facility of RMB50.0 million for a term of 12 months. As of September 30, 2023, RMB20.0 million had been utilized at a fixed interest rate per annum determined at one-year LPR minus 0.05% on the day before the withdrawal day.

(iii) In September 2021, we entered into a secured loan agreement with a bank, pursuant to which, the bank agreed to provide a credit facility of RMB180.0 million for a term of 120 months. As of December 31, 2022, RMB91,669,000 of the facility had been utilized at a variable interest rate equal to over five-year LPR plus 1.15% which was determined every half year. This loan had been fully repaid during the nine months ended September 30, 2023.

In February 2023, we entered into a secured loan agreement with a bank, pursuant to which, the bank agreed to provide a credit facility of RMB80.0 million for a term of 36 months. As of September 30, 2023, the amount of utilized facilities was RMB20,222,000 at a fixed interest rate per annum determined at one-year LPR plus 0.45% on the day before the withdrawal day. As of November 30, 2023, the amount of utilized facilities was RMB36,117,017.

Sirius Holding Group, Mr. Hao Chunli and his spouse and Mr. Tao Tao and his spouse had provided guarantees for the above bank loans.

(iv) In November 2021, we entered into a secured loan agreement with Yunnan Yunnan Dianzhong Hengsheng Investment Co., Ltd. (雲南滇中恒昇投資有限公司) ("**Dianzhong Hengsheng**"), who agreed to provide a loan amounting to RMB6,500,000 for a term of six months at a fixed interest rate of 3%. The term of the secured loan agreement was extended for six months in June 2022 and an additional six months in December 2022. During the nine months ended September 30, 2023, this loan has been fully repaid.

(v) Dianzhong Likang, one of the Company's subsidiaries, was established in October 2020 and Dianzhong Hengsheng contributed RMB49,500,000 and held 99% of the shares. The investment from Dianzhong Hengsheng was assessed to be a loan at a fixed interest rate of 8% because the Company has the right to repurchase 99% of the equity of Dianzhong Likang at any time before the earlier of December 31, 2026 or one year after the commercialization of the first drug product. In addition, we should pay additional interest at a rate of 8% for the loan provided by Dianzhong Hengsheng or guaranteed by Dianzhong Hengsheng.

As of December 31, 2022, the amount of the loan including interest was RMB64,211,000. During the nine months ended September 30, 2023, an additional 8% interest as per above was partially waived and this loan including interest has been fully repaid.

The following table sets forth an aging analysis of our bank loans and other borrowings presented based on the repayment date as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023	As of November 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*	*(RMB'000) (Unaudited)*
Bank loans:			
Within one year or on demand	61,480	60,512	61,286
In the second year	8,500	300	500
In the third to fifth years, inclusive	27,364	19,622	29,000
Beyond five years	50,501	–	–
	147,845	80,434	90,786
Other borrowings:			
Within one year or on demand	70,906	–	–
Total	218,751	80,434	90,786

Generally, the bank loan agreements we have entered into contain covenants that impose certain restrictions or maintenance requirements on the Company, our subsidiaries and/or the guarantor, including: (i) the guarantor and/or borrower, as applicable, may not change the general nature of its business, (ii) the guarantor and/or borrower, as applicable, may not create encumbrances on any part of its property or assets, and (iii) the guarantor and/or borrower, as applicable, must comply with certain financial covenants, such as no reduction in registered capital. The bank loan agreements contain standard events of default such as the occurrence of debt default or event that has a material adverse effect. In addition, for one of our loans, we are required to obtain bank approval before obtaining additional loans.

Our Directors confirm that we had no material defaults in payment of bank borrowings and had not breached any financial covenants thereunder during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our office premises and laboratory facilities. As of December 31, 2022 and September 30, 2023, we recorded current lease liabilities of RMB3.9 million and RMB5.7 million, respectively. As of the same dates, we recorded non-current lease liabilities of RMB9.9 million and RMB8.4 million, respectively.

CAPITAL EXPENDITURES

Our capital expenditure during the Track Record Period primarily includes (i) R&D costs, (ii) construction in progress, (iii) machinery and equipment, (iv) leasehold improvements, (v) office furniture, (vi) electronics equipment, and (vii) motor vehicles. The increase in our capital expenditures during the Track Record Period was primarily in relation to our construction of our manufacturing facilities.

	For the year ended December 31, 2022	For the nine months ended September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
R&D costs	–	152,860
Construction in progress[(1)]	330,130	292,166
Machinery and equipment	22,589	6,720
Leasehold improvements	4,307	1,846
Office furniture	259	3,183
Electronics equipment	1,320	627
Motor vehicles	387	–
Total	**358,992**	**457,402**

Note:

(1) Including amount subsequently transferred out upon completion.

We expect that our capital expenditure in 2024 will remain at similar levels as we advance the R&D of our vaccine candidates. We plan to finance such expenditure primarily with our existing cash, [**REDACTED**] from the [**REDACTED**] and bank loans. We may also further require funding from equity or debt financing, or other resources.

CONTRACTUAL COMMITMENTS

As of December 31, 2022 and September 30, 2023, we had capital commitments contracted for but not yet provided of RMB439.3 million and RMB543.2 million, primarily in connection with contracts entered into for the construction of our R&D and manufacturing facilities and contracts entered into for the phase III clinical trial of nonavalent HPV vaccine candidate (male indication). The following table sets forth our contractual commitments as of the dates indicated.

	As of December 31, 2022	As of September 30, 2023
	(RMB'000)	*(RMB'000) (Unaudited)*
Property, plant and equipment	439,275	192,266
Intangible assets	–	350,958
Total	**439,275**	**543,224**

CONTINGENT LIABILITIES

As of December 31, 2022 and September 30, 2023, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since September 30, 2023 to the date of this Document.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	As of December 31, 2022	As of September 30, 2023
Current ratio	2.1	0.7
Debt-to-equity ratio	0.23	0.08

Notes:

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

(2) Debt-to-equity ratio represents total bank and other borrowings divided by total equity as of the same date.

Our current ratio decreased from 2.1 as of December 31, 2022 to 0.7 as of September 30, 2023, mainly due to a decrease in cash and cash equivalents as we spent cash in our R&D and construction of manufacturing facilities. We also repaid certain bank and other borrowings.

Our debt-to-equity ratio decreased from 0.23 as of December 31, 2022 to 0.08 as of September 30, 2023, mainly because we repaid certain bank and other borrowings in 2023.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see note 30 to the Accountants' Report included in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in note 30 to the Accountants' Report included in Appendix I to this Document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had no material off-balance sheet arrangements.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk as set out below. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. For further details, including relevant sensitivity analysis, see note 33 in the Accountants' Report set out in Appendix I to this Document.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank borrowings with a floating interest rate.

See note 33 to the Accountants' Report set out in Appendix I to this Document for details.

Credit Risk

The carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, represent our maximum exposure equal to credit risk in relation to the financial assets. We expect that there is no significant credit risk associated with cash and bank balances, financial assets measured at amortized cost since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Our management does not expect that there will be any significant losses from on-performance by these counterparties.

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimize the credit risk, we review the recoverable amount of each individual trade receivable periodically and our management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, our Directors consider

that our credit risk is significantly reduced. We also expect that there is no significant credit risk associated with other receivables and other financial assets since counterparties to these financial assets have no history of default.

See note 33 to the Accountants' Report set out in Appendix I to this Document for details.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows.

See note 33 to the Accountants' Report set out in Appendix I to this Document.

DIVIDENDS

Pursuant to Shareholders' resolution dated May 15, 2023, we distributed stock dividends, giving each Shareholder ten additional Shares for every ten existing Shares without consideration. The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including the successful commercialization of our products as well as our earnings, capital requirements, overall financial condition and contractual restrictions.

As confirmed by our PRC Legal Advisor, any future net profit that we generate will be applied to account for our accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our accumulated losses have been accounted for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In light of our accumulated losses as disclosed in this Document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

DISTRIBUTABLE RESERVES

As of September 30, 2023, we did not have any reserves available for distribution to our Shareholders.

PROPERTIES AND VALUATION

As of the Latest Practicable Date, we own land use right to one parcel of land in Kunming, Yunnan Province, with an area of 93,341.19 square meters. We have obtained a valid land ownership certificate for the land. We are constructing buildings on such land that will become our manufacturing facilities.

In accordance with the requirement of Rule 5.07 of the Listing Rules, Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has valued the relevant property interests as of November 30, 2023. Particulars of our property interests are set out in "Appendix VI – Property Valuation Report" to this Document.

The table below sets out the reconciliation between the net book value of our property as of September 30, 2023 in the Accountants' Report set out in Appendix I to this Document and the market value of our property as of November 30, 2023, in the Property Valuation Report set out in Appendix VI to this Document.

	(RMB'000)
Net book value of our property as of September 30, 2023	492,592
Capital expenditures	2,482
Depreciation adjustments	(596)
Net book value as of November 30, 2023	494,478
Valuation surplus as of November 30, 2023	3,303
Valuation as of November 30, 2023 as set out in "Appendix VI – Property Valuation Report" to this Document	495,299

[**REDACTED**]

[**REDACTED**] to be borne by us mainly include (i) [**REDACTED**], such as [**REDACTED**] and [**REDACTED**], and (ii) [**REDACTED**], comprising professional fees paid to our legal advisers and reporting accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the total [**REDACTED**] to be borne by us are estimated to be approximately RMB[**REDACTED**] million, equivalent to [**REDACTED**]% of our [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this Document, and without exercise of the [**REDACTED**]). Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] of RMB[**REDACTED**] million and [**REDACTED**] of RMB[**REDACTED**] million. We recognized no [**REDACTED**] prior to September 30, 2023. Except for approximately RMB[**REDACTED**] million are expected to be charged to our consolidated statements of profit or loss and other comprehensive income, all of our remaining [**REDACTED**] are expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] to have a material adverse impact on our results of operations for the year ending December 31, 2024.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [**REDACTED**] on our net tangible assets attributable to equity shareholders of the Company as of September 30, 2023 as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of our adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of our Company had the [**REDACTED**] been completed as of September 30, 2023 or at any future date. It is prepared based on the consolidated net tangible assets of our Group attributable to the owners of our Company as of September 30, 2023 as set out in the Accountants' Report in Appendix I to the Document, and adjusted as described below.

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed in "Summary – Recent Developments and No Material Adverse Change," as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since September 30, 2023 up to the date of this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

See "Business – Our Strategies" for a detailed description of our future plans.

[**REDACTED**]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the [**REDACTED**] of the indicative [**REDACTED**] range stated in this Document. If the [**REDACTED**] is set at HK$[**REDACTED**] per H Share, being the high end of the indicative [**REDACTED**] range, the [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**] million. If the [**REDACTED**] is set at HK$[**REDACTED**] per H Share, being the low end of the indicative [**REDACTED**] range, the [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**] million.

Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range, we currently intend to apply these [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our Core Products, including;

  - approximately [**REDACTED**]%, or HK[**REDACTED**] million, will be used for the ongoing clinical trials of our Core Products, including (a) approximately [**REDACTED**]%, or HK[**REDACTED**] million for the phase III clinical trial of our nonavalent HPV vaccine candidate in females in China; (b) approximately [**REDACTED**]%, or HK$[**REDACTED**] million for the phase III clinical trial of our nonavalent HPV vaccine candidate in females in Indonesia; (c) approximately [**REDACTED**]%, or HK$[**REDACTED**] million for the phase III clinical trial of our nonavalent HPV vaccine candidate in males in China; and (d) approximately [**REDACTED**]%, or HK$[**REDACTED**] million for the phase III clinical trial of our trivalent HPV vaccine candidate in females in China;

  - approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our Company and our subsidiaries to build up the manufacturing capabilities our Core Products, including purchasing manufacturing and quality inspection equipment, and covering manufacturing-related labor costs and utility costs;

  - approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for commercialization activities for our Core Products, including establishing our sales network, recruiting our sales team and conducting academic promotion activities to enhance market awareness of our brand and our vaccines;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the development of our pre-clinical vaccine candidates, including (a) [**REDACTED**]%, or HK$[**REDACTED**] million for our RSV vaccine candidate; (b) [**REDACTED**]%, or HK$[**REDACTED**] million, for our herpes zoster vaccine candidate; and (c) [**REDACTED**]%, or HK[**REDACTED**] million, for other pre-clinical candidates, namely our heptavalent norovirus vaccine candidate, quadrivalent HFMD vaccine candidate, polio vaccine candidate and mRNA bivalent therapeutic HPV vaccine candidate;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to explore potential investment, acquisition, in-licensing, joint venture and other collaboration opportunities. We will primarily consider technologies relating to delivery mechanisms, adjuvants, administration routes, as well as businesses with global leading vaccine candidates. As of the Latest Practicable Date, we have not identified any potential investment, acquisition, in-license, joint venture or collaboration targets.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for working capital and other general corporate purposes.

The above allocation of the [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the [**REDACTED**] of the indicative [**REDACTED**] range stated in this Document.

If the [**REDACTED**] is exercised in full, the [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the [**REDACTED**] of the indicative [**REDACTED**] range). In the event that the [**REDACTED**] is exercised in full, we intent to apply the additional [**REDACTED**] to the above purposes in the proportions stated above.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with authorized and licensed commercial banks or financial institutions (as defined under the Securities and Futures Ordinance).

We will issue an appropriate announcement if there is any material change to the above proposed [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING HEALTH GUARD BIOTECHNOLOGY INC., CITIC SECURITIES (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Beijing Health Guard Biotechnology Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-65], which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year ended 31 December 2022 (the "Relevant Period"), and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-65] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's

preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of the financial performance and cash flows of the Group for the Relevant Period in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the nine months ended 30 September 2022 and 2023, and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2023 and other explanatory information (the "Interim Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Period.

[●]

Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
		RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
REVENUE	5	1,901	888	1,601
Cost of sales		(49)	(35)	(71)
GROSS PROFIT		1,852	853	1,530
Other income and gains	5	25,643	20,389	20,809
Administrative expenses		(79,117)	(56,837)	(65,417)
Research and development expenses		(236,680)	(171,912)	(177,009)
Other expenses		(204)	(101)	(764)
Finance costs	7	(4,061)	(2,904)	(3,391)
LOSS BEFORE TAX	6	(292,567)	(210,512)	(224,242)
Income tax expense	10	(250)	(107)	(624)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(292,817)	(210,619)	(224,866)
Attributable to:				
Owners of the parent		(292,817)	(210,619)	(224,866)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	(1.14)	(0.83)	(0.83)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**31 December 2022** *RMB'000*	**30 September 2023** *RMB'000 (unaudited)*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	475,352	768,096
Right-of-use assets	*14*	49,309	49,142
Intangible assets	*15*	–	152,860
Prepayments, other receivables and other assets	*16*	123,687	188,167
Total non-current assets		648,348	1,158,265
CURRENT ASSETS			
Inventories	*17*	4,669	7,039
Trade receivables	*18*	1,021	736
Prepayments, other receivables and other assets	*16*	63,961	17,012
Cash and cash equivalents	*19*	665,303	253,152
Total current assets		734,954	277,939
CURRENT LIABILITIES			
Trade payables	*20*	46,807	84,778
Other payables and accruals	*21*	97,579	188,470
Interest-bearing bank and other borrowings	*22*	132,386	60,512
Contract liabilities	*23*	71,500	77,050
Lease liabilities	*14*	3,866	5,749
Tax payable		142	415
Total current liabilities		352,280	416,974
NET CURRENT ASSETS/(LIABILITIES)		382,674	(139,035)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,031,022	1,019,230
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*22*	86,365	19,922
Deferred income	*24*	567	10,524
Lease liabilities	*14*	9,937	8,359
Total non-current liabilities		96,869	38,805
NET ASSETS		934,153	980,425
EQUITY			
Equity attributable to owners of the parent			
Share capital	*25*	133,600	280,940
Treasury shares	*25*	(3,652)	(3,522)
Reserves	*27*	804,205	703,007
Total equity		934,153	980,425

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

		Attributable to owners of the parent						
	Notes	**Share capital** *RMB'000* *(note 25)*	**Treasury shares** *RMB'000* *(note 25)*	**Share premium*** *RMB'000* *(note 25)*	**Share-based payment reserve*** *RMB'000* *(note 26)*	**Other reserve*** *RMB'000*	**Accumulated losses*** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022		133,600	(6,000)	1,674,655	27,602	121,514	(736,118)	1,215,253
Loss for the year		–	–	–	–	–	(292,817)	(292,817)
Total comprehensive loss for the year		–	–	–	–	–	(292,817)	(292,817)
Equity-settled Restricted Share Unit Scheme arrangements	*26*	–	–	–	9,369	–	–	9,369
Restricted shares vested under the Restricted Share Unit Scheme	*26*	–	2,348	17,140	(17,140)	–	–	2,348
At 31 December 2022		133,600	(3,652)	1,691,795	19,831	121,514	(1,028,935)	934,153

Nine months ended 30 September 2023

		Attributable to owners of the parent						
	Notes	**Share capital** *RMB'000* *(note 25)*	**Treasury shares** *RMB'000* *(note 25)*	**Share premium*** *RMB'000* *(note 25)*	**Share-based payment reserve*** *RMB'000* *(note 26)*	**Other reserve*** *RMB'000*	**Accumulated losses*** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2023		133,600	(3,652)	1,691,795	19,831	121,514	(1,028,935)	934,153
Loss for the period (unaudited)		–	–	–	–	–	(224,866)	(224,866)
Total comprehensive loss for the period (unaudited)		–	–	–	–	–	(224,866)	(224,866)
Issuance of A shares upon listing on the Beijing Stock Exchange (unaudited)		7,000	–	259,637	–	–	–	266,637
Share premium transferred to share capital (unaudited)	*11*	140,600	–	(140,600)	–	–	–	–
Equity-settled Restricted Share Unit Scheme arrangements (unaudited)	*26*	–	–	–	4,501	–	–	4,501
Repurchase and cancellation of restricted shares forfeited (unaudited)		(260)	130	130	–	–	–	–
At 30 September 2023 (unaudited)		280,940	(3,522)	1,810,962	24,332	121,514	(1,253,801)	980,425

Nine months ended 30 September 2022

		Attributable to owners of the parent						
	Notes	**Share capital** *RMB'000* *(note 25)*	**Treasury shares** *RMB'000* *(note 25)*	**Share premium*** *RMB'000* *(note 25)*	**Share-based payment reserve*** *RMB'000* *(note 26)*	**Other reserve*** *RMB'000*	**Accumulated losses*** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022		133,600	(6,000)	1,674,655	27,602	121,514	(736,118)	1,215,253
Loss for the period (unaudited)		–	–	–	–	–	(210,619)	(210,619)
Total comprehensive loss for the period (unaudited)		–	–	–	–	–	(210,619)	(210,619)
Equity-settled Restricted Share Unit Scheme arrangements (unaudited)	*26*	–	–	–	7,870	–	–	7,870
At 30 September 2022 (unaudited)		133,600	(6,000)	1,674,655	35,472	121,514	(946,737)	1,012,504

* These reserve accounts comprise the consolidated reserves of RMB804,205,000, RMB884,904,000 and RMB703,007,000 in the consolidated statements of financial position during the Relevant Period and the nine months ended 30 September 2022 and 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2022	Nine months ended September 30 2022	2023
		RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(292,567)	(210,512)	(224,242)
Adjustments for:				
Impairment losses/(reversal of impairment losses) on trade receivables, net	*6*	54	20	(15)
Impairment losses on prepayments, other receivables and other assets, net	*6*	115	51	30
Finance costs		3,828	2,670	3,342
Interest Income	*5*	(24,287)	(19,669)	(7,410)
Depreciation of property, plant and equipment	*6*	7,583	5,229	9,929
Depreciation of right-of-use assets	*6*	4,517	3,367	3,328
Loss on disposal of property, plant and equipment	*6*	35	30	11
Loss on the termination of leases	*6*	–	–	82
Share-based payment expenses	*26*	9,278	7,785	4,221
Increase in inventories		(3,305)	(723)	(154)
(Increase)/decrease in trade receivables		(1,074)	(399)	300
(Increase)/decrease in prepayments, other receivables and other assets		(35,900)	3,638	24,734
(Decrease)/increase in trade payables		(31,093)	(33,640)	48,049
Increase/(decrease) in other payables and accruals		8,121	2,952	(581)
Increase in contract liabilities		20,000	20,000	5,550
Increase in deferred income		190	204	9,956
Cash used in operations		(334,505)	(218,997)	(122,870)
Interest received		24,287	19,669	7,410
Income tax paid		(107)	–	(351)
Net cash flows used in operating activities		(310,325)	(199,328)	(115,811)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		47	47	6
Purchases of items of property, plant and equipment		(346,849)	(247,820)	(281,732)
Purchases of intangible assets		–	–	(141,929)

	Notes	Year ended 31 December 2022 RMB'000	Nine months ended September 30 2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Net cash flows used in investing activities		(346,802)	(247,773)	(423,655)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans	28	128,397	76,489	47,826
Proceeds from issue of A shares		–	–	280,770
Repayment of bank and other borrowings	28	(1,346)	(1,346)	(171,237)
Repurchase of restricted shares		–	–	(142)
Interest paid	28	(3,871)	(2,374)	(16,819)
Share issue expenses		(5,223)	(5,223)	(8,699)
Principal portion of lease payments		(4,876)	(3,614)	(4,391)
Net cash flows from financing activities		113,081	63,932	127,308
NET DECREASE IN CASH AND CASH EQUIVALENTS		(544,046)	(383,169)	(412,158)
Cash and cash equivalents at beginning of year/period		1,209,349	1,209,349	665,303
Effect of foreign exchange rate changes, net		–	–	7
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		665,303	826,180	253,152
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	19	665,303	826,180	253,152
Cash and cash equivalents as stated in the statements of financial position		665,303	826,180	253,152
Cash and cash equivalents as stated in the statements of cash flows		665,303	826,180	253,152

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	**31 December 2022** *RMB'000*	**30 September 2023** *RMB'000 (unaudited)*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	81,335	78,075
Investments in subsidiaries	*34*	300,500	455,000
Right-of-use assets	*14*	13,892	13,049
Intangible assets	*15*	–	151,959
Amounts due from related parties	*30*	–	3,672
Prepayments, other receivables and other assets	*16*	51,149	95,468
Total non-current assets		446,876	797,223
CURRENT ASSETS			
Inventories	*17*	2,388	2,542
Trade receivables	*18*	1,021	736
Prepayments, other receivables and other assets	*16*	59,624	11,533
Amounts due from related parties	*30*	198,746	295,131
Cash and cash equivalents	*19*	498,386	250,682
Total current assets		760,165	560,624
CURRENT LIABILITIES			
Trade payables	*20*	46,807	82,447
Other payables and accruals	*21*	32,214	46,627
Interest-bearing bank borrowings	*22*	56,176	56,476
Contract liabilities	*23*	71,500	77,050
Lease liabilities	*14*	3,772	5,040
Total current liabilities		210,469	267,640
NET CURRENT ASSETS		549,696	292,984
TOTAL ASSETS LESS CURRENT LIABILITIES		996,572	1,090,207
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*22*	–	19,922
Deferred income	*24*	77	34
Lease liabilities	*14*	9,937	8,359
Total non-current liabilities		10,014	28,315
NET ASSETS		986,558	1,061,892
EQUITY			
Equity attributable to owners of the parent			
Share capital	*25*	133,600	280,940
Treasury shares	*25*	(3,652)	(3,522)
Reserves	*27*	856,610	784,474
Total equity		986,558	1,061,892

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the People's Republic of China ("PRC") on 14 April 2008. The Company completed its initial public offering and was listed on the Beijing Stock Exchange (stock code: 833575) on 15 March 2023. The registered office address of the Company is Unit 201 and 202, Building 2, No.7 Rongchang East Street, Beijing Economic-Technological Development Area, Beijing, China.

During the Relevant Period, the Company and its subsidiaries ("the Group") were principally engaged in the research and development of innovative vaccines featuring a structure-guided design approach.

As at the end of the Relevant Period, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	*Indirect*	
康樂衛士(昆明)生物技術有限公司* Kangle Weishi (Kunming) Biotechnology Co., Ltd. ("Kunming Kangle")	*(a)*	PRC/ Chinese Mainland 8 June 2020	RMB 454,500,000	100%	–	Research and development of vaccines
雲南滇中立康實業開發有限公司* Yunnan Dianzhong Likang Industrial Development Co., Ltd. ("Likang Shiye")	*(b)*	PRC/ Chinese Mainland 21 October 2020	RMB 50,000,000	1%	99%	Construction of commercial production plant

Notes:

(a) The statutory financial statements of the entity for the year ended 31 December 2022 were audited by Beijing Dongshen Certified Public Accountants LLP (北京東審會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(b) The statutory financial statements of the entity for the year ended 31 December 2022 were audited by Zhonghua Certified Public Accountants LLP Yunnan Branch (眾華會計師事務所(特殊普通合夥)雲南分所), certified public accountants registered in the PRC.

* The English names of these two companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of the companies as they do not have official English names.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Period.

The Historical Financial Information has been prepared under the historical cost convention.

The Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming twelve months notwithstanding that as at 30 September 2023, the Group had net current liabilities of RMB139,035,000 and accumulated losses of RMB1,253,801,000 as at 30 September 2023. In the opinion of the directors of the Company, the Group will have necessary liquid funds to finance its operating and capital expenditure requirements for the next twelve months after 30 September 2023. This is due to the following considerations:

(a) The Group had cash and cash equivalents of RMB253,152,000 as at 30 September 2023;

(b) The Group had unutilised banking facilities of RMB59,778,000 as at 30 September 2023 that would be valid for twelve months after 30 September 2023 and obtained new banking facilities of RMB320,000,000 subsequent to 30 September 2023; and

(c) The Group has performed a cash flow forecast for the next twelve months and will have sufficient liquid funds to finance its operations and can operate as a going concern in the foreseeable future.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these revised IFRSs upon initial application. So far, the Group has expected that the adoption of them will not have material impact on the Group's financial position and financial performance.

2.3 Material Accounting Policy Information

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the Relevant Period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the Relevant Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and estimated residual values used for this purpose are as follows:

Categories	**Estimated useful lives**	**Estimated residual value rate**
Buildings	20 years	5%
Machinery	3-10 years	5%
Office furniture	5 years	5%
Motor vehicles	4 years	5%
Electronic equipment	3 years	5%
Leasehold improvements	Calculated on the shorter of estimated useful lives or remaining lease terms	–

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Patents are *stated* at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised 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 reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The Group recognises development costs as follows:

For class I innovative vaccines (innovative vaccines that have not been previously approved for sales in Chinese Mainland or abroad), the development stage begins after obtaining new drug application approval from drug regulatory organisation. Development costs at this stage are recognised as assets when the above criteria are met.

For non-class I vaccines, the development stage begins after phase III clinical trials are conducted substantially. Development costs at phase III are recognised as assets when the above criteria are met.

Development expenditures not satisfying the above criteria are recognised in profit or loss as incurred.

Development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the useful economic life of the related vaccine product. Amortisation shall begin when the Company has obtained new vaccine product application approval from drug regulatory organisations.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease *liabilities* to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	
Leasehold land	50 years
Buildings	1 to 5 years
Motor vehicles	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or *loss* when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the Relevant Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the Relevant Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(b) Provision of services

The Group recognises revenue only when it satisfies a performance obligation by transferring control of the promised services. The transfer of control can occur over time or at a point in time. A performance obligation is satisfied over time if it meets one of the following criteria: i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at the point in time when the customers accept and can benefit from such service.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payment

The Company operates a Restricted Share Unit Scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 26 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the Relevant Period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated *by* the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Relevant Period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Identifying performance obligations under the contract with Liaoning Chengda Co., Ltd. ("Liaoning Chengda")

The Group provided research and development services to assist Liaoning Chengda in developing and commercialising a new human papillomavirus ("HPV") vaccine product. As all the services provided by the Group under the contract with Liaoning Chengda are significantly correlated and the Group would not be able to fulfil its obligation by transferring individual services separately, thus the Group's obligation to provide research and development services under the contract with Liaoning Chengda is not separately identifiable and shall be identified as one performance obligation.

Research and development expenses

Development expenses incurred on the Group's product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalisation.

Consolidation of an entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Likang Shiye since the date of its incorporation even though the Group subscribed 1% of the equity interest of Likang Shiye before the completion of repurchase of 99% of the equity interest of Likang Shiye in June 2023, due to the following reasons:

1) Likang Shiye was established specifically for the construction of recombinant vaccine clinical and industrialisation base;

2) Yunnan Dianzhong Hengsheng Investment Development Co., Ltd. ("Dianzhong") subscribed 99% of the equity interest of Likang Shiye on the date of its incorporation and shall conduct the construction of recombinant vaccine clinical and industrialisation base with a budget capped at RMB230 million;

3) The Group has the right to repurchase 99% of equity interest of Likang Shiye from Dianzhong at any time which should be exercised before the earlier date of 31 December 2026 or the anniversary of the commercialization of the Group's first vaccine product. This right is assessed to be a substantive potential voting right held by the Company.

Based on the facts and circumstances above, Likang Shiye is assessed to be one of the subsidiaries of the Group since its incorporation and its financial statements have been consolidated by the Group since then.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the Relevant Period. Development costs, not available for intended use, are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 10 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment, which is the research and development of biopharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Non-current assets

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Chinese Mainland	646,419	1,156,057

The non-current asset information above is based on the locations of the assets and excludes financial assets.

Information about a major customer

Revenue of approximately RMB1,794,000, RMB843,000 and RMB563,000 for the Relevant Period and the nine months ended 30 September 2022 and 2023, respectively, was derived from sales of intermediate products from research and development activities to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Revenue from contracts with customers	1,901	888	1,601

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Types of goods			
Sale of intermediate products from research and development	1,901	888	1,601
Geographical market			
Chinese Mainland	1,901	888	1,601
Timing of revenue recognition			
Goods transferred at a point in time	1,901	888	1,601

There was no revenue recognised for the Relevant Period and the nine months ended 30 September 2022 and 2023 that was included in contract liabilities at the beginning of each reporting period.

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from the date of billing.

Other income and gains

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Government grants*	1,020	397	13,246
Bank interest income	24,287	19,669	7,410
Others	336	323	153
	25,643	20,389	20,809

* Government grants have been received from the PRC local government authorities to support the Group's research and development activities and to award the Group's successful listing on the Beijing Stock Exchange. There are no unfulfilled conditions related to these government grants.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
		RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Cost of inventories sold		49	35	71
Research and development costs**		170,443	125,383	113,081
Depreciation of property, plant and equipment	*13*	7,776	5,382	11,781
Less: Amount capitalised		(193)	(153)	(1,852)
		7,583	5,229	9,929
Depreciation of right-of-use assets	*14*	5,331	3,428	4,270
Less: Amount capitalised		(814)	(61)	(942)
		4,517	3,367	3,328
Lease payments not included in the measurement of lease liabilities	*14*	1,981	1,259	1,183
Auditor's remuneration		1,090	–	–
Listing expenses for the listing on the Beijing Stock Exchange		2,843	2,249	–
Employee benefit expense (including directors' remuneration (note 8)):				
Wages, salaries and welfare		96,967	68,196	105,210
Pension scheme contributions		6,313	4,349	7,521
Share-based payment expenses		9,369	7,870	4,501
Less: Amount capitalised		(832)	(743)	(11,883)
		111,817	79,672	105,349
Impairment losses/(reversal of impairment losses) on trade receivables, net*		54	20	(15)
Impairment losses on prepayments, other receivables and other assets, net*		115	51	30
Loss on disposal of property, plant and equipment*		35	30	11
Foreign exchange differences, net		–	–	(7)
Loss on the termination of leases*		–	–	82
Penalty for the termination of a lease*		–	–	656

* Impairment losses on trade receivables, net, impairment losses on prepayments, other receivables and other assets, net, loss on disposal of property, plant and equipment, loss on the termination of leases and penalty for the termination of a lease are included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

** Depreciation and employee benefit expense are excluded in research and development costs disclosed above.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
		RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Interest on bank and other borrowings		13,654	9,305	5,784
Interest on lease liabilities	*14*	553	380	511
Others		233	234	49
Total interest expense		14,440	9,919	6,344
Less: Interest capitalised		(10,379)	(7,015)	(2,953)
		4,061	2,904	3,391

8. DIRECTORS' REMUNERATION

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The aggregate amount of remuneration of the directors for the Relevant Period and the nine months ended 30 September 2022 and 2023 are set out below:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Fees	480	360	410
Other emoluments:			
Salaries, allowances and benefits in kind	6,268	4,844	6,744
Share-based payment expenses	5,168	3,735	1,880
Pension scheme contributions	60	44	48
	11,976	8,983	9,082

During the Relevant Period and the nine months ended 30 September 2022 and 2023, certain directors were granted award shares, in respect of their services to the Group, under the Restricted Share Unit Scheme of the Company, further details of which are set out in note 26 to the Historical Financial Information. The fair value of such award shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Relevant Period and the nine months ended 30 September 2022 and 2023 is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

Ms. Li Xiaojing, Mr. Qiao Youlin and Mr. Han Qiang were appointed as independent non-executive directors of the Company on 27 December 2021, 23 November 2021 and 17 July 2023, respectively. Share-based payment expenses for the independent non-executive directors were nil for the Relevant Period and the nine months ended 30 September 2022 and 2023.

The fees paid to independent non-executive directors during the Relevant Period and the nine months ended 30 September 2022 and 2023 were as follows:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Ms. Li Xiaojing (李曉靜女士)	240	180	180
Mr. Qiao Youlin (喬友林先生)	240	180	180
Mr. Han Qiang (韓強先生)	–	–	50
	480	360	410

There were no other emoluments payable to the independent non-executive directors during the Relevant Period and the nine months ended 30 September 2022 and 2023.

(b) Executive directors and non-executive directors

		Year ended 31 December 2022			
	Notes	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Share-based payments expenses *RMB'000*	Total remuneration *RMB'000*
Executive directors					
Mr. Hao Chunli (郝春利先生)	*(1)*	3,047	60	3,173	6,280
Mr. Liu Yongjiang (劉永江先生)	*(2)*	3,221	–	1,995	5,216
Non-executive directors					
Mr. Tao Tao (陶濤先生)		–	–	–	–
Mr. Liu Qingli (劉慶利先生)		–	–	–	–
Mr. Li Hui (李輝先生)		–	–	–	–
		6,268	60	5,168	11,496

		Nine months ended 30 September 2022 (unaudited)			
	Notes	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Share-based payment expenses *RMB'000*	Total remuneration *RMB'000*
Executive directors					
Mr. Hao Chunli (郝春利先生)	*(1)*	2,429	44	2,293	4,766
Mr. Liu Yongjiang (劉永江先生)	*(2)*	2,415	–	1,442	3,857
Non-executive directors					
Mr. Tao Tao (陶濤先生)		–	–	–	–
Mr. Liu Qingli (劉慶利先生)		–	–	–	–
Mr. Li Hui (李輝先生)		–	–	–	–
		4,844	44	3,735	8,623

	Notes	Nine months ended 30 September 2023 (unaudited) Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Share-based payment expenses RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Tao Ran (陶然先生)	(3)	1,625	–	–	1,625
Mr. Hao Chunli (郝春利先生)	(1)	2,600	48	1,154	3,802
Mr. Liu Yongjiang (劉永江先生)	(2)	2,519	–	726	3,245
Non-executive directors					
Mr. Tao Tao (陶濤先生)		–	–	–	–
Mr. Liu Qingli (劉慶利先生)		–	–	–	–
Mr. Li Hui (李輝先生)		–	–	–	–
		6,744	48	1,880	8,672

(1) Mr. Hao Chunli was appointed as an executive director effective from 6 April 2016 and the chief executive officer effective from 8 August 2019. Mr. Hao Chunli resigned as the chief executive officer effective from 28 June 2023.

(2) Mr. Liu Yongjiang was appointed as the chairman of the Board and chief scientific officer since July 2023.

(3) Mr. Tao Ran was appointed as an executive director and the chief executive officer effective from 17 July 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period and the nine months ended 30 September 2022 and 2023.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Period and the nine months ended 30 September 2022 and 2023 included two, two and three directors, respectively, details of whose remuneration are set out in note 8 to the Historical Financial Information. Details of the remuneration for the highest paid employees who are not a director of the Company are as follows:

	Year ended 31 December 2022 RMB'000	Nine months ended 30 September 2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	4,401	3,381	2,411
Pension scheme contributions	179	131	97
Share-based payment expenses	2,394	1,731	581
	6,974	5,243	3,089

The number of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December 2022	Nine months ended 30 September 2022 (unaudited)	2023 (unaudited)
HK$1,600,001 to HK$2,500,000	–	3	2
HK$2,500,001 to HK$3,000,000	3	–	–
	3	3	2

During the Relevant Period and the nine months ended 30 September 2022 and 2023, shares were awarded to three, three and two non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 26 to the Historical Financial Information. The fair value of such shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Period and the nine months ended 30 September 2022 and 2023, is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

Pursuant to the Corporate Income Tax ("CIT") Law of the PRC and the respective regulations (the "CIT Law"), the Company was recognised as a high and new technology enterprise and the income tax rate applicable to the Company was 15% while the tax rate of two PRC subsidiaries is 25% during the Relevant Period and the nine months ended 30 September 2022 and 2023.

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Current – Chinese Mainland	250	107	624
Deferred	–	–	–
Total tax charge for the year/period	250	107	624

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Loss before tax	(292,567)	(210,512)	(224,242)
Tax at the statutory tax rate of 25%	(73,142)	(52,628)	(56,061)
Lower tax rate applicable to the Company	24,927	20,252	19,580
Expenses not deductible for tax	781	1,092	922
Additional deductible allowance for qualified research and development costs	(34,675)	(18,199)	(22,500)
Tax losses and deductible temporary differences not recognised	82,361	49,592	58,685
Utilisation of tax losses previously not recognised as deferred tax assets and others	(2)	(2)	(2)
Tax credit at the Group's effective tax rate	250	107	624

The Group had accumulated tax losses of RMB1,334,121,000, RMB1,163,712,000 and RMB1,660,761,000 for the Relevant Period and the nine months ended 30 September 2022 and 2023, respectively, out of which the tax losses in the PRC are available for a maximum of ten years for offsetting against future taxable profits of the Company and its subsidiaries in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

Pursuant to the written resolution of the shareholders of the Company passed on 15 May 2023, the Company paid the stock dividends by transferring from share premium amounting to RMB140,600,000 to share capital and giving each shareholder 10 additional shares of the Company for every 10 existing shares without consideration.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year or the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 256,383,649, 255,200,000 and 270,550,412 for the Relevant Period and the nine months ended 30 September 2022 and 2023, respectively.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the Relevant Period and the nine months ended 30 September 2022 and 2023 as the impact of the restricted share units outstanding had an anti-dilutive effect on the basic loss per share amount presented. Accordingly, the diluted loss per share amounts for the Relevant Period and the nine months ended 30 September 2022 and 2023 are the same as the basic loss per share amounts.

The calculation of basic and diluted loss per share is based on:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Loss			
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(292,817)	(210,619)	(224,866)

	Number of shares		
	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
		(unaudited)	*(unaudited)*
Shares			
Weighted average number of ordinary shares in issue during the year/period used in the basic and diluted loss per share calculation	256,383,649	255,200,000	270,550,412

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Machinery	Office furniture	Motor vehicles	Electronic equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	48,062	1,732	1,974	3,133	22,983	71,612	149,496
Accumulated depreciation	(21,224)	(582)	(462)	(2,194)	(816)	–	(25,278)
Net carrying amount	26,838	1,150	1,512	939	22,167	71,612	124,218
At 1 January 2022, net of accumulated depreciation	26,838	1,150	1,512	939	22,167	71,612	124,218
Additions	22,589	259	387	1,320	4,307	330,130	358,992
Disposals	(64)	(1)	–	(17)	–	–	(82)
Depreciation provided during the year	(5,212)	(271)	(526)	(550)	(1,217)	–	(7,776)
At 31 December 2022, net of accumulated depreciation	44,151	1,137	1,373	1,692	25,257	401,742	475,352
At 31 December 2022:							
Cost	69,452	1,973	2,361	4,121	27,290	401,742	506,939
Accumulated depreciation	(25,301)	(836)	(988)	(2,429)	(2,033)	–	(31,587)
Net carrying amount	44,151	1,137	1,373	1,692	25,257	401,742	475,352

Group

	Buildings	Machinery	Office furniture	Motor vehicles	Electronic equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2023 (unaudited)								
At 1 January 2023:								
Cost	–	69,452	1,973	2,361	4,121	27,290	401,742	506,939
Accumulated depreciation	–	(25,301)	(836)	(988)	(2,429)	(2,033)	–	(31,587)
Net carrying amount	–	44,151	1,137	1,373	1,692	25,257	401,742	475,352
At 1 January 2023, net of accumulated depreciation	–	44,151	1,137	1,373	1,692	25,257	401,742	475,352
Additions	–	6,720	3,183	–	627	1,846	292,166	304,542
Transfers	73,725	5,324	–	–	–	–	(79,049)	–
Disposals	–	(7)	(2)	–	(8)	–	–	(17)
Depreciation provided during the period	–	(5,657)	(258)	(416)	(630)	(4,820)	–	(11,781)
At 30 September 2023, net of accumulated depreciation	73,725	50,531	4,060	957	1,681	22,283	614,859	768,096
At 30 September 2023:								
Cost	73,725	81,364	5,139	2,361	4,643	29,136	614,859	811,227
Accumulated depreciation	–	(30,833)	(1,079)	(1,404)	(2,962)	(6,853)	–	(43,131)
Net carrying amount	73,725	50,531	4,060	957	1,681	22,283	614,859	768,096

Company

	Machinery *RMB'000*	Office furniture *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	48,062	1,616	1,452	2,845	22,983	–	76,958
Accumulated depreciation	(21,224)	(564)	(379)	(2,129)	(816)	–	(25,112)
Net carrying amount	26,838	1,052	1,073	716	22,167	–	51,846
At 1 January 2022, net of accumulated depreciation	26,838	1,052	1,073	716	22,167	–	51,846
Additions	22,589	173	–	708	4,307	9,171	36,948
Disposals	(64)	(1)	–	(17)	–	–	(82)
Depreciation provided during the year	(5,212)	(234)	(345)	(369)	(1,217)	–	(7,377)
At 31 December 2022, net of accumulated depreciation	44,151	990	728	1,038	25,257	9,171	81,335
At 31 December 2022:							
Cost	69,452	1,770	1,452	3,222	27,290	9,171	112,357
Accumulated depreciation	(25,301)	(780)	(724)	(2,184)	(2,033)	–	(31,022)
Net carrying amount	44,151	990	728	1,038	25,257	9,171	81,335

Company

	Machinery *RMB'000*	Office furniture *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
30 September 2023 (unaudited)							
At 1 January 2023:							
Cost	69,452	1,770	1,452	3,222	27,290	9,171	112,357
Accumulated depreciation	(25,301)	(780)	(724)	(2,184)	(2,033)	–	(31,022)
Net carrying amount	44,151	990	728	1,038	25,257	9,171	81,335
At 1 January 2023, net of accumulated depreciation	44,151	990	728	1,038	25,257	9,171	81,335
Additions	5,829	102	–	277	1,846	–	8,054
Transfers	4,334	–	–	–	–	(4,334)	–
Disposals	(7)	(2)	–	(7)	–	–	(16)
Depreciation provided during the period	(5,656)	(185)	(259)	(378)	(4,820)	–	(11,298)
At 30 September 2023, net of accumulated depreciation	48,651	905	469	930	22,283	4,837	78,075
At 30 September 2023:							
Cost	79,483	1,855	1,452	3,395	29,136	4,837	120,158
Accumulated depreciation	(30,832)	(950)	(983)	(2,465)	(6,853)	–	(42,083)
Net carrying amount	48,651	905	469	930	22,283	4,837	78,075

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 18 months and 5 years. Leases of motor vehicles generally have lease terms of 25 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Period and the nine months ended 30 September 2023 are as follows:

Group

	Leasehold land *RMB'000*	**Buildings** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
As at 1 January 2022	36,066	6,971	38	43,075
Additions	–	11,565	–	11,565
Depreciation charge	(739)	(4,554)	(38)	(5,331)
At 31 December 2022	35,327	13,982	–	49,309
As at 1 January 2023	35,327	13,982	–	49,309
Additions (unaudited)	–	4,815	–	4,815
Termination of a lease (unaudited)	–	(712)	–	(712)
Depreciation charge (unaudited)	(554)	(3,716)	–	(4,270)
At 30 September 2023 (unaudited)	34,773	14,369	–	49,142

Company

	Buildings *RMB'000*
As at 1 January 2022	6,722
Additions	11,565
Depreciation charge	(4,395)
At 31 December 2022	13,892
As at 1 January 2023	13,892
Additions (unaudited)	3,374
Termination of a lease (unaudited)	(688)
Depreciation charge (unaudited)	(3,529)
At 30 September 2023 (unaudited)	13,049

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the Relevant Period and the nine months ended 30 September 2023 are as follows:

Group

	Lease liabilities *RMB'000*
As at 1 January 2022	6,561
Additions	11,565
Accretion of interest recognised during the year	553
Payments	(4,876)
At 31 December 2022	13,803
Analysed into:	
Current portion	3,866
Non-current portion	9,937
As at 1 January 2023	13,803
Additions (unaudited)	4,815
Accretion of interest recognised during the period (unaudited)	511
Payments (unaudited)	(4,391)
Termination of leases (unaudited)	(630)
At 30 September 2023 (unaudited)	14,108
Analysed into:	
Current portion	5,749
Non-current portion	8,359

Company

	Lease liabilities *RMB'000*
As at 1 January 2022	6,311
Additions	11,565
Accretion of interest recognised during the year	548
Payments	(4,715)
At 31 December 2022	13,709
Analysed into:	
Current portion	3,772
Non-current portion	9,937
As at 1 January 2023	13,709
Additions (unaudited)	3,374
Accretion of interest recognised during the period (unaudited)	501
Payments (unaudited)	(3,582)
Termination of a lease (unaudited)	(603)
At 30 September 2023 (unaudited)	13,399
Analysed into:	
Current portion	5,040
Non-current portion	8,359

The maturity analysis of lease liabilities is disclosed in note 33 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

Group

	Year ended 31 December 2022 *RMB'000*	Nine months ended 30 September 2022 *RMB'000* *(unaudited)*	2023 *RMB'000* *(unaudited)*
Interest on lease liabilities *(note 7)*	553	380	511
Depreciation charge of right-of-use assets *(note 6)*	4,517	3,367	3,328
Expense relating to termination of leases	–	–	84
Expense relating to short-term leases *(note 28(c))*	1,981	1,259	1,183
Penalty for the termination of a lease	–	–	656
Total amount recognised in profit or loss	7,051	5,006	5,762

(d) The total cash outflow for leases is set out in note 28 to the Historical Financial Information.

15. INTANGIBLE ASSETS

Group

	Patents	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation and impairment	–	–	–
At 31 December 2022	–	–	–
At 31 December 2022:			
Cost	105,421	–	105,421
Accumulated amortisation	(50,184)	–	(50,184)
Accumulated impairment	(55,237)	–	(55,237)
Net carrying amount	–	–	–
At 1 January 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	–	–	–
Additions – internal development	–	152,860	152,860
At 30 September 2023	–	152,860	152,860
At 30 September 2023:			
Cost	105,421	152,860	258,281
Accumulated amortisation	(50,184)	–	(50,184)
Accumulated impairment	(55,237)	–	(55,237)
Net carrying amount	–	152,860	152,860

Company

31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation and impairment	–	–	–
At 31 December 2022	–	–	–
At 31 December 2022			
Cost	105,421	–	105,421
Accumulated amortisation	(50,184)	–	(50,184)
Accumulated impairment	(55,237)	–	(55,237)
Net carrying amount	–	–	–

	Patents	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	–	–	–
Additions – internal development	–	151,959	151,959
At 30 September 2023	–	151,959	151,959
At 30 September 2023:			
Cost	105,421	151,959	257,380
Accumulated amortisation	(50,184)	–	(50,184)
Accumulated impairment	(55,237)	–	(55,237)
Net carrying amount	–	151,959	151,959

The development costs are related to the development of Nonavalent HPV Vaccine (Male indications) project.

Impairment testing of development costs

The management of the Group performed impairment testing during the nine months ended 30 September 2023 for the development costs which were not yet available for intended use, the recoverable amount is determined based on the fair value less costs of disposal. In assessing the fair value of the asset, the estimated future cash flows are discounted to their present value using a before-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Key assumptions used in the calculation are as follows:

	30 September 2023
	(unaudited)
The before-tax discount rate	21.03%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of development costs:

The before-tax discount rate used is before tax and reflects specific risks relating to the unit.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Prepayments		
– current (a)	54,657	15,675
– non-current (b)	65,977	103,976
Contract costs	39,818	49,025
Value – added tax recoverable	15,962	32,958
Prepaid listing expenses for the listing on the Beijing Stock Exchange	7,644	–
Deposits	3,119	2,953
Others	642	793
	187,819	205,380
Impairment allowance	(171)	(201)
	187,648	205,179
Less: Non-current portion	(123,687)	(188,167)
Current portion	63,961	17,012

The movements in the loss allowance for impairment of other receivables are as follows:

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
At beginning of year/period	(56)	(171)
Impairment losses, net *(note 6)*	(115)	(30)
At end of year/period	(171)	(201)

An impairment analysis was performed at the end of the Relevant Period and the nine months ended 30 September 2023. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group.

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default, and were categorised in stage I at the end of the Relevant Period and the nine months ended 30 September 2023.

Company

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Prepayments		
– current (a)	51,382	10,655
– non-current (b)	7,055	40,396
Contract costs (c)	39,818	49,026
Prepaid listing expenses for the listing on the Beijing Stock Exchange	7,644	–
Value-added tax recoverable	2,346	3,838
Deposits	2,660	2,523
Others	–	725
	110,905	107,163
Impairment allowance	(132)	(162)
	110,773	107,001
Less: Non-current portion	(51,149)	(95,468)
Current portion	59,624	11,533

(a) Prepayments mainly include prepaid research and development service fees for the clinical and pre-clinical trials. Prepayments also include other prepaid operating expenses.

(b) The amount represents prepayments for purchase of property, plant and equipment and development costs.

(c) Contract costs mainly represented incremental costs incurred in fulfilling the obligation in the contract with Liaoning Chengda Co., Ltd. ("Liaoning Chengda").

17. INVENTORIES

Group

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Raw materials	4,669	7,039

Company

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Raw materials	2,388	2,542

18. TRADE RECEIVABLES

Group and Company

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Trade receivables	1,075	775
Impairment allowance	(54)	(39)
	1,021	736

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 360 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Relevant Period and the nine months ended 30 September 2023, based on the invoice date and net of loss allowance, is as follows:

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Within 1 year	1,021	736

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
At beginning of year/period	–	(54)
Impairment losses, net *(note 6)*	(54)	15
At end of year/period	(54)	(39)

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9 at the end of the Relevant Period and the nine months ended 30 September 2023. Based on the evaluations on the ECL rate and the gross carrying amount of the balances, the directors are of the opinion that the ECLs in respect of these balances are considered to be immaterial.

19. CASH AND CASH EQUIVALENTS

Group

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Cash and cash equivalents	665,303	253,152
Denominated in:		
RMB	665,303	253,152

The RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Company

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Cash and cash equivalents	498,386	250,682
Denominated in:		
RMB	498,386	250,682

20. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Relevant Period and the nine months ended 30 September 2023, based on the invoice date, is as follows:

Group

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Within 1 year	44,235	78,630
1 to 2 years	420	3,859
2 to 3 years	1,793	1,930
3 to 4 years	305	305
Over 5 years	54	54
	46,807	84,778

Company

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Within 1 year	44,235	76,299
1 to 2 years	420	3,859
2 to 3 years	1,793	1,930
3 to 4 years	305	305
Over 5 years	54	54
	46,807	82,447

The trade payables are non-interest-bearing and are normally settled within 12 months.

21. OTHER PAYABLES AND ACCRUALS

Group

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Payables for purchase of property, plant and equipment	64,615	132,790
Payroll payable	23,916	31,357
Payables for development service	–	17,117
Payables for repurchase of shares under the Restricted Share Unit Scheme	3,652	3,522
Other payables	4,585	3,016
Taxes other than income tax	811	668
	97,579	188,470

Company

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Payables for purchase of property, plant and equipment	3,848	909
Payroll payable	20,936	23,296
Payables for development service	–	17,117
Payables for repurchase of shares under the Restricted Share Unit Scheme	3,652	3,522
Other payables	3,047	1,160
Taxes other than income tax	731	623
	32,214	46,627

Other payables and accruals are non-interest-bearing and have no fixed terms of settlement.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

		31 December 2022		
		Effective interest rate	*Maturity*	*RMB'000*
Current				
Bank loans – secured	*(i)*	4.35%	2023	56,176
Current portion of long-term bank loans – secured	*(iii)*	5.45%	2023	5,304
Other borrowings – secured	*(iv)*	3%	2023	6,695
Other borrowings – secured	*(v)*	8%	2023	64,211
				132,386
Non-current				
Bank loans – secured	*(iii)*	5.45%-5.60%	2024-2031	86,365
				218,751

		30 September 2023 (unaudited)		
		Effective interest rate	*Maturity*	*RMB'000*
Current				
Bank loans – secured	*(i)*	4.35%	2023	36,176
Bank loans – unsecured	*(ii)*	3.40%-3.50%	2023-2024	24,036
Current portion of long-term bank loans – secured	*(iii)*	3.90%-4.00%	2024	300
				60,512
Non-current				
Bank loans – secured	*(iii)*	3.90%-4.00%	2025-2026	19,922
				80,434

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Analysed into:		
Bank loans:		
Within one year or on demand	61,480	60,512
In the second year	8,500	300
In the third to fifth years, inclusive	27,364	19,622
Beyond five years	50,501	–
	147,845	80,434
Other borrowings repayable:		
Within one year or on demand	70,906	–
	218,751	80,434

Company

		31 December 2022		
		Effective interest rate	*Maturity*	*RMB'000*
Current				
Bank loans – secured	*(i)*	4.35%	2023	56,176
				56,176

		30 September 2023 (unaudited)		
		Effective interest rate	*Maturity*	*RMB'000*
Current				
Bank loans – secured	*(i)*	4.35%	2023	36,176
Bank loans – unsecured	*(ii)*	3.50%	2023	20,000
Current portion of long-term bank loans – secured	*(iii)*	3.90%-4.00%	2024	300
				56,476
Non-current				
Bank loans – secured	*(iii)*	3.90%-4.00%	2025-2026	19,922
				76,398

	31 December 2022 *RMB'000*	**30 September 2023** *RMB'000 (unaudited)*
Analysed into:		
Bank loans:		
Within one year or on demand	56,176	56,476
In the second year	–	300
In the third to fifth years, inclusive	–	19,622
	56,176	76,398

Notes:

(i) In June 2022, the Group entered into a secured loan agreement with a bank, pursuant to which the bank agreed to provide a credit facility of RMB70,000,000 for a term of 12 months. As at 31 December 2022 and 30 September 2023, RMB56,176,000 and RMB36,176,000, respectively, had been utilised at a fixed interest rate of 4.35% per annum.

Sirius Holdings Group Limited ("Sirius Group"), Mr. Hao Chunli and his spouse, and Mr. Tao Tao and his spouse had provided guarantees for the above bank loans.

(ii) In December 2022, the Group entered into an unsecured loan agreement with a bank, pursuant to which the bank agreed to provide a credit facility of RMB30,000,000 for a term of 12 months. As at 30 September 2023, RMB4,036,000 had been utilised at a fixed interest rate per annum determined at one-year LPR minus 0.25% on the day before the withdrawal day.

In December 2022, the Group entered into an unsecured loan agreement with a bank, pursuant to which, the bank agreed to provide a credit facility of RMB50,000,000 for a term of 12 months. As at 30 September 2023, RMB20,000,000 had been utilised at a fixed interest rate per annum determined at one-year LPR minus 0.05% on the day before the withdrawal day.

(iii) In September 2021, the Group entered into a secured loan agreement with a bank, pursuant to which the bank agreed to provide a credit facility of RMB180,000,000 for a term of 120 months. As at 31 December 2022, RMB91,669,000 of the facility had been utilised at a variable interest rate equal to over five-year LPR plus 1.15% which was determined every half year. This loan had been fully repaid during the nine months ended 30 September 2023.

In February 2023, the Group entered into a secured loan agreement with a bank, pursuant to which the bank agreed to provide a credit facility of RMB80,000,000 for a term of 36 months. As at 30 September 2023, the amount of utilised facilities was RMB20,222,000 at a fixed interest rate per annum determined at one-year LPR plus 0.45% on the day before the withdrawal day.

Sirius Group, Mr. Hao Chunli and his spouse, and Mr. Tao Tao and his spouse had provided guarantees for the above bank loans.

(iv) In November 2021, the Group entered into a secured loan agreement with Dianzhong, who agreed to provide a loan amounting to RMB6,500,000 for a term of six months at a fixed interest rate of 3%. The term of the secured loan agreement was extended for six months in June 2022 and an additional six months in December 2022. During the nine months ended 30 September 2023, this loan has been fully repaid.

(v) Likang Shiye, one of the Company's subsidiaries, was established in October 2020 and Dianzhong contributed RMB49,500,000 and held 99% of the shares. The investment from Dianzhong was assessed to be a loan at a fixed interest rate of 8% because the Company has the right to repurchase 99% of the equity of Likang Shiye at any time before the earlier of 31 December 2026 or one year after the commercialisation of the first drug product. In addition, the Group should pay additional interest at a rate of 8% for the loan provided by Dianzhong or guaranteed by Dianzhong.

As at 31 December 2022, the amount of the loan including interest was RMB64,211,000. During the nine months ended 30 September 2023, an additional 8% interest as per above was partially waived and this loan including interest has been fully repaid.

23. CONTRACT LIABILITIES

Group and Company

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Advances from a customer	71,500	77,050

Contract liabilities represented the advances from Liaoning Chengda for the research and development of the 15-Valent HPV Vaccine. The increase in contract liabilities during the nine months ended 30 September 2023 was mainly due to the increase in advances received from Liaoning Chengda in relation to the provision of services.

The advances were accounted for as contract liabilities as at 31 December 2022 and 30 September 2023 because the performance obligation under the contract with Liaoning Chengda had not been fulfilled.

24. DEFERRED INCOME

Group

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Government grants	567	10,524

The movements in government grants during the year/period is as follows:

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
At beginning of year/period	378	567
Grants received during the year/period	250	10,000
Amount recognised in profit or loss	(61)	(43)
At end of year/period	567	10,524

The Group received government grants for capital expenditure incurred for the construction of property, plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

Company

	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Government grants	77	34

25. SHARE CAPITAL AND TREASURY SHARES

Group and Company

Issued and fully paid:

	Number of shares in issue	Share capital *RMB'000*
Ordinary shares of RMB1.00 each		
As at 31 December 2022	133,600,000	133,600
As at 30 September 2023 (unaudited)	280,940,000	280,940

A summary of movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2022		133,600,000	133,600	(6,000)	1,674,655	1,802,255
Vesting of restricted share units	*(a)*	–	–	2,348	17,140	19,488
At 31 December 2022 and 1 January 2023		133,600,000	133,600	(3,652)	1,691,795	1,821,743
Issuance of A shares upon listing on the Beijing Stock Exchange	*(b)*	7,000,000	7,000	–	259,637	266,637
Share premium transferred to share capital	*(c)*	140,600,000	140,600	–	(140,600)	–
Repurchase and cancellation of restricted shares	*(d)*	(260,000)	(260)	130	130	–
At 30 September 2023 (unaudited)		280,940,000	280,940	(3,522)	1,810,962	2,088,380

Notes:

(a) During the Relevant Period, 2,348,000 restricted share units were vested, resulting in the reduction of RMB2,348,000 in treasury shares. Further details are included in note 26 to the Historical Financial Information.

(b) In connection with the Company's A shares listing on the Beijing Stock Exchange on 15 March 2023, 7,000,000 ordinary A shares were issued at an offer price of RMB42 per share with a total gross cash consideration of RMB294,000,000, before deducting the underwriting fees and commissions of A share listing expenses, of approximately RMB27,363,000.

(c) Pursuant to the written resolution of the shareholders of the Company passed on 15 May 2023, the Company transferred from share premium of RMB140,600,000 to share capital.

(d) During the nine months ended 30 September 2023, 260,000 restricted share units were forfeited due to the resignation of 2 employees in 2022, resulting in the reduction of RMB130,000 in treasury shares.

26. SHARE-BASED PAYMENT

Restricted Share Unit Scheme

Pursuant to a written shareholders' resolution of the Company passed on 10 September 2019, a Restricted Share Unit ("RSU") Scheme ("the Scheme") was adopted for the purpose of providing incentives to eligible employees of the Group. Under the Scheme, the maximum number of RSUs granted shall not exceed 6,000,000 units (equivalent to 6,000,000 ordinary shares of the Company).

Subject to the unlocking conditions including both the Company's and employees' performance conditions, the RSUs shall vest after 3 years, 4 years and 5 years by 40%, 40% and 20% from the date of grant. If the unlocking conditions are not satisfied before the RSUs become vested, the unvested RSUs shall be repurchased by the Company at the purchase price paid by the grantees when the RSUs were granted plus certain interest considerations under different scenarios. Each RSU entitles the holder to own one ordinary share of the Company.

In 2019, a total number of 6,000,000 RSUs were subscribed by 26 eligible directors and employees at a discounted price of RMB1 per unit and a consideration of RMB6,000,000 was received by the Company. Pursuant to the black-out period provisions of the Scheme, the eligible directors and employees shall not transfer the RSUs which fulfil the unlocking conditions to any third party in any form within twelve months from each unlocking date. The RSUs granted to directors and employees are accounted for as equity awards and the fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of RSUs granted at the grant date was RMB7.3 per unit, which was determined with reference to the price per share of the Company close to the grant date.

During the Relevant Period, 2,348,000 RSUs have been vested under the Scheme and as at 31 December 2022, the Company had 3,652,000 RSUs outstanding under the Scheme.

During the nine months ended 30 September 2023, the number of RSUs increased by 3,652,000 as a result of the impact of dividends paid by the Company pursuant to the written resolution of the shareholders of the Company passed on 15 May 2023. Further details of the dividends of the Company are set out in note 11 to the Historical Financial Information. Besides, 260,000 RSUs have been forfeited under the Scheme and as at 30 September 2023, the Company had 7,044,000 RSUs outstanding under the Scheme.

During the nine months ended 30 September 2022, there was no movement of the number of RSUs and as at 30 September 2022, the outstanding RSUs under the Scheme of the Company remained unchanged as 6,000,000.

Movements in the number of RSUs are as follows:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
		(unaudited)	*(unaudited)*
At the beginning of the year/period	6,000,000	6,000,000	3,652,000
Share premium transferred to share capital	–	–	3,652,000
Forfeited during the year/period	–	–	(260,000)
Vested during the year/period	(2,348,000)	–	–
At the end of the year/period	3,652,000	6,000,000	7,044,000

Share-based payment expenses recognised in the consolidated statements of profit or loss and other comprehensive income during the Relevant Period and the nine months ended 30 September 2022 and 2023 are as follows:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
		(unaudited)	*(unaudited)*
Administrative expenses	5,992	5,024	2,922
Research and development expenses	3,269	2,761	1,299
Cost of sales	17	–	–
Capitalised in prepayments, other receivables and other assets	91	85	208
Capitalised in intangible assets	–	–	72
	9,369	7,870	4,501

27. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Period and the nine months 30 September 2022 and 2023 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value and the amount transferred from the share-based payment reserve when the RSUs are exercised.

(b) Share-based payment reserve and other reserve

The share-based payment reserve comprises the fair value of share options and RSUs granted which are yet to be exercised. The amount will either be transferred to the share premium account or other reserve account when the related options and RSUs are exercised.

Company

	Share premium *RMB'000*	Share-based payment reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2022	1,674,655	27,602	121,514	(727,262)	1,096,509
Loss for the year	–	–	–	(249,268)	(249,268)
Total comprehensive loss for the year	–	–	–	(249,268)	(249,268)
Equity-settled Restricted Share Unit Scheme arrangements	–	9,369	–	–	9,369
Restricted shares vested under the Restricted Share Unit Scheme	17,140	(17,140)	–	–	–
At 31 December 2022 and 1 January 2023	1,691,795	19,831	121,514	(976,530)	856,610
Loss for the period (unaudited)	–	–	–	(195,804)	(195,804)

	Share premium *RMB'000*	Share-based payment reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Total comprehensive loss for the period (unaudited)	–	–	–	(195,804)	(195,804)
Issuance of A shares upon listing on the Beijing Stock Exchange (unaudited)	259,637	–	–	–	259,637
Share premium transferred to share capital (unaudited)	(140,600)	–	–	–	(140,600)
Equity-settled Restricted Share Unit Scheme arrangements (unaudited)	–	4,501	–	–	4,501
Repurchase and cancellation of restricted shares forfeited (unaudited)	130	–	–	–	130
At 30 September 2023 (unaudited)	1,810,962	24,332	121,514	(1,172,334)	784,474

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Period and the nine months ended 30 September 2022 and 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,565,000, RMB11,467,000 and RMB4,815,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2022	81,916	6,561
Changes from financing cash flows	123,180	(4,876)
New lease	–	11,565
Interest expense	13,655	553
At 31 December 2022	218,751	13,803
At 1 January 2022	81,916	6,561
Changes from financing cash flows	72,769	(3,614)
New lease	–	11,467
Interest expense	9,207	380
At 30 September 2022 (unaudited)	163,892	14,794
At 1 January 2023	218,751	13,803
Changes from financing cash flows	(140,230)	(4,391)
Termination of a lease	–	(630)
New lease	–	4,815
Interest expense	1,913	511
At 30 September 2023 (unaudited)	80,434	14,108

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Within operating activities	1,981	1,259	1,838
Within financing activities	4,876	3,614	4,391
	6,857	4,873	6,229

29. COMMITMENTS

(a) The Group had the following capital commitments at the end of the Relevant Period and 30 September 2023:

	31 December 2022	30 September 2023
	RMB'000	*RMB'000 (unaudited)*
Contracted, but not provided for:		
Property, plant and equipment	439,275	192,266
Intangible assets	–	350,958
	439,275	543,224

(b) The Group had no lease contracts that have not yet commenced as at 31 December 2022 and 30 September 2023.

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the view that the following companies are related parties that had transactions or balances with the Group during the Relevant Period and the nine months ended 30 September 2022 and 2023:

Name of related parties	Relationship with the Group
Sirius Group	An entity controlled by the ultimate controlling shareholder
Hao Chunli	Chief Operating Officer and Vice Chairman of the Board
Liu Yongjiang	Chairman of the Board of Directors and Chief Scientific Officer

(b) Transactions with related parties:

In 2020, the Group started a 3-year installment payment agreement with a third party for purchase of a machinery with total amount of RMB5,500,000. Sirius Group, Mr. Hao Chunli and his spouse, and Mr. Liu Yongjiang and his spouse had provided guarantees under this installment payment agreement. Additionally, Sirius Group pledged 1,283,550 shares of the Company as a guarantee. The above guarantees have been released as of the date of this report.

Sirius Group, Mr. Hao Chunli and his spouse, and Mr. Tao Tao and his spouse had provided guarantees to certain bank loans granted to the Group amounting to RMB70,000,000 and RMB150,000,000 as at 31 December 2022 and 30 September 2023, respectively, as disclosed in note 22.

(c) Compensation of key management personnel of the Group

	Year ended 31 December 2022	Nine months ended 30 September 2022	2023
	RMB'000	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Short term employee benefits	14,976	11,496	13,794
Share-based payment expenses	8,760	6,332	3,187
Pension scheme contributions	413	303	338
Total compensation paid to key management personnel	24,149	18,131	17,319

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

(d) Outstanding balances with related parties

Company	**31 December 2022**	**30 September 2023**
	RMB'000	*RMB'000 (unaudited)*
Current asset		
Amounts due from subsidiaries:		
Kunming Kangle	174,300	270,150
Likang Shiye	24,446	24,981
	198,746	295,131
Non-current asset		
Amounts due from a subsidiary		
Kunming Kangle	–	3,672
	198,746	298,803

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Period and the nine month ended 30 September 2023 are as follows:

31 December 2022

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	1,021
Financial assets included in prepayments, other receivables and other assets	3,003
Cash and cash equivalents	665,303
	669,327

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	46,807
Financial liabilities included in other payables and accruals	72,852
Interest-bearing bank and other borrowings	218,751
	338,410

30 September 2023 (unaudited)

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	736
Financial assets included in prepayments, other receivables and other assets	3,545
Cash and cash equivalents	253,152
	257,433

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	84,778
Financial liabilities included in other payables and accruals	156,445
Interest-bearing bank borrowings	80,434
	321,657

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to the fair values, are as follows:

	Carrying amounts	
	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Financial assets		
Financial assets included in prepayments, other receivables and other assets	1,929	2,208
Financial liabilities		
Interest-bearing bank borrowings	86,365	19,922

	Fair values	
	31 December 2022	30 September 2023
	RMB'000	*RMB'000*
		(unaudited)
Financial assets		
Financial assets included in prepayments, other receivables and other assets	1,996	2,307
Financial liabilities		
Interest-bearing bank borrowings	83,232	19,849

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of interest-bearing bank and other borrowings, trade payables, the current portion of financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of prepayments, other receivables and other assets and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the Relevant Period were assessed to be insignificant.

The fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value:

The Group did not have any financial assets and financial liabilities measured at fair value as at the end of the Relevant Period and the nine months ended 30 September 2023.

Assets for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets	–	1,996	–	1,996

As at 30 September 2023 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets	–	2,307	–	2,307

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	83,232	–	83,232

As at 30 September 2023 (unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	–	19,849	–	19,849

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board and senior management meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's loss before tax for a period of 12 months (through the impact on floating rate borrowings) and the Group's equity.

	Increase/(decrease) in basis points	Increase/(decrease) in loss before tax	Decrease/(increase) in equity*
Year end 31 December 2022	100/(100)	917/(917)	917/(917)

* Excluding accumulated losses

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, and financial assets included in prepayments, other receivables and other assets, represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances, financial assets measured at amortised cost since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from on-performance by these counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also expects that there is no significant credit risk associated with other receivables and other financial assets since counterparties to these financial assets have no history of default.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,075	1,075
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,176	–	–	–	3,176
Cash and cash equivalents					
– Not yet past due	665,303	–	–	–	665,303
	668,479	–	–	1,075	669,554

As at 30 September 2023 (unaudited)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	775	775
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,746	–	–	–	3,746
Cash and cash equivalents					
– Not yet past due	253,152	–	–	–	253,152
	256,898	–	–	775	257,673

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the Relevant Period and the nine months ended 30 September 2023, based on the contractual undiscounted payments, is as follows:

	31 December 2022				
	On demand	Within 1 year	1 to 5 years	Above 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	46,807	–	–	–	46,807
Financial liabilities included in other payables and accruals	72,852	–	–	–	72,852
Interest-bearing bank and other borrowings	–	134,738	51,588	57,015	243,341
Lease liabilities	–	4,436	10,753	–	15,189
	119,659	139,174	62,341	57,015	378,189

	30 September 2023 (unaudited)				
	On demand	Within 1 year	1 to 5 years	Above 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	84,778	–	–	–	84,778
Financial liabilities included in other payables and accruals	156,445	–	–	–	156,445
Interest-bearing bank borrowings	–	61,086	22,138	–	83,224
Lease liabilities	–	6,303	8,626	–	14,929
	241,223	67,389	30,764	–	339,376

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

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 adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Period and the nine months ended 30 September 2023.

34. INVESTMENTS IN SUBSIDIARIES

	31 December 2022 *RMB'000*	30 September 2023 *RMB'000 (unaudited)*
Interests in subsidiaries, at cost	300,500	455,000
– Kunming Kangle	300,000	454,500
– Likang Shiye	500	500

As at 31 December 2022

	Kunming Kangle *RMB'000*	Likang Shiye *RMB'000*	Total *RMB'000*
At 1 January 2022 and 31 December 2022	300,000	500	300,500

As at 30 September 2023 (unaudited)

	Kunming Kangle *RMB'000 (unaudited)*	Likang Shiye *RMB'000 (unaudited)*	Total *RMB'000 (unaudited)*
At 1 January 2023	300,000	500	300,500
Capital increase	154,500	–	154,500
At 30 September 2023	454,500	500	455,000

Details of the subsidiaries of the Company are disclosed in note 1 CORPORATE AND GROUP INFORMATION.

35. EVENTS AFTER THE RELEVANT PERIOD

As at the approval date of the Historical Financial Information, the Group had no significant events after the reporting period which need to be disclosed.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019, for individual income including interest, dividend and bonus, shall pay individual income tax with applicable proportional tax rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得税若干政策問題的通知》) promulgated by the Ministry of Finance and the SAT on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

In accordance with the EIT Law, which was amended on December 29, 2018 and became effective on the same date, and the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), which was amended on April 23, 2019 and became effective on the same date, a non-resident enterprise is generally subject to EIT at a rate of 10% on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold EIT at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock

exchanges must withhold and remit EIT at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rate may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came in to effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrange mentor transactions which will bring any direct or indirect benefits under this Agreement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investor

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which became effective on December 31, 2009, states that individuals' income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that whether individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to EIT at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988, amended on January 8, 2011 and replaced by Stamp Duty Law (《中華人民共和國印花稅法》) promulgated June 10, 2021 and effective as of July 1, 2022, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, PRC stamp duty only applies on specific proof executed or received within the PRC and legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Major Taxes on the Company in the PRC

EIT Law

According to the EIT Law, which was amended on December 29, 2018 and became effective on the same date and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which was amended on April 23, 2019 and became effective on the same date, the applicable EIT rate of both domestic and foreign-funded enterprises shall be 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay EIT on its incomes derived from both inside and outside China. For a non-resident enterprise having offices or establishments inside China, it shall pay EIT on its incomes derived from China as well as on incomes that it earns outside China but which has real connection with the said offices or establishments, the EIT rate applicable shall be 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay EIT on the incomes derived from China the EIT rate applicable shall be 10%.

VAT

According to the Interim Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay VAT at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) (2019 No. 39 of MOF, SAT and General Administration of Customs), promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Foreign currencies conversion is mainly subject to the Administrative Regulations on Foreign Exchange of the PRC (中華人民共和國外匯管理條例) promulgated by the PRC State Council on January 29, 1996 and latest amended on August 5, 2008 and the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on June 20, 1996. Under such regulations, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade and service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the SAFE and/or its competent local counterparts is obtained.

According to the Decision of the State Council on Canceling and Adjusting A Batch of Items Requiring Administrative Approval (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council on October 23, 2014, SAFE and its branches canceled the review and approval on the foreign exchange settlement for the repatriation of funds raised abroad under the overseas listed foreign capital stock account.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after the completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of State Administration of Foreign Exchange on Reforming and Standardizing Capital Account Foreign Exchange Settlement Administration Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE on June 9, 2016, it has been specified clearly in the relevant policies that, for the capital account foreign exchange income subject to voluntary foreign exchange settlement (including the repatriation of the proceeds from overseas listing), the domestic institutions may conduct the foreign exchange settlement at the banks according to their operation needs. The proportion of the capital account foreign exchange income subject to voluntary foreign exchange settlement was tentatively set as 100%, provided that SAFE may adjust the aforesaid proportion according to the international payment balance status in good time.

This Appendix summarizes certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this Document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all the information which are important to the potential investors. For discussion of laws and regulations which are relevant to the Company's business, see "Regulatory Overview" in this Document.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (hereinafter referred to as the "**Constitution**") and is made up of statutes, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "NPC") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual

needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will come into effect after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions, a decision should be made to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, NAO and the subordinate institutions with administrative functions directly administered by the State Council may formulate departmental rules and regulations within the permissions of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees. Issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of the procuratorate should be interpreted by the Supreme People's Procuratorate, and issues related to laws other than the above mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative authorities which promulgate such regulations.

The PRC Judicial System

Under the Constitution, the Law of Organization of the People's Court of the PRC (中華人民共和國人民法院組織法) and the Law of Organization of the People's Procuratorate of the PRC (2018 Revision) (中華人民共和國人民檢察院組織法(2018修訂)), the people's courts of the PRC are divided into the Supreme People's Court, the local people's courts at all levels and special people's courts. The local people's courts at all levels are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels. The people's procuratorates of the PRC are divided into the Supreme People's Procuratorate, the local people's procuratorates at all levels, Military Procuratorates and other special people's procuratorates. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts shall become final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (hereinafter referred to as the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended three times on October 28, 2007, August 31, 2012 and June 27, 2017 and September 1, 2023 respectively, prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the People's Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or would not be in social and public interest.

The PRC Company Law, Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for Articles of Association of Listed Companies

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The newly revised PRC Company Law was amended on December 29, 2023 and intended to take effect from July 1 2024. The currently effective PRC Company Law was promulgated on March 20, 2019 and became effective on April 1, 2019.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (hereinafter referred to the "Trial Administrative Measures"), which came into effect on March 31, 2023. The Trial Administrative Measures are designated in accordance with the PRC Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities overseas for trading. On February 17, 2023, CSRC promulgated the Guidelines for the Application of Regulatory Rules – Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic companies shall abide by the relevant provisions of the Trial Administrative Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

Set out below is a summary of the major provisions of the currently effective PRC Company Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies.

General

A "joint stock limited company" refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to the total amount of all assets it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, over half of which must have a domicile within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by promoters are fully paid up. For companies established by share offering, the

registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, a company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with the company registration authorities, and other documents as required by the law or administrative regulations.

For companies incorporated by way of subscription, not less than 35% of the total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must publish a prospectus and prepare a subscription letter to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC laws must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription money. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain under subscribed by the deadline stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days after the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant company registration authority for industry and commerce and a business license has been issued.

A company's promoters shall be liable for: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated; (2) the subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and (3) the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of or file with the CSRC to offer its shares to the overseas public.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Pursuant to the relevant provisions of the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares to the public after being approved by or filed with the CSRC, a new share offering prospectus and financial accounting report must be announced and a subscription letter must be prepared. After the new shares issued by the company has been paid up, the change must be registered with the company registration authority and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company shall reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at general meeting; (3) the company shall notify its creditors within 10 days and publish an announcement in newspapers within 30 days from the date on which the resolution approving the reduction was passed; (4) the creditors of the company are entitled to require the company to repay its debts or provide guarantees for such debts within 30 days from receipt of the notification or within 45 days from the date of the announcement if he/she/it has not received any notification; and (5) the company must apply to the company registration authority for change in registration.

Repurchase of Shares

Pursuant to the PRC Company Law, a company may not repurchase its own shares other than for the following purposes: (1) reducing its registered capital; (2) merging with other companies which hold its shares; (3) granting shares to its employees as incentives; (4) acquiring its shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger and division; (5) utilizing the shares for conversion of listed corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of its own shares on the grounds set out in item (1) to (2) above shall be approved by way of a resolution of a shareholders' general meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above maybe approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the company's articles of association or the authorization of the shareholders' general meeting.

Following the acquisition by a company of its own shares in accordance with these requirements, such shares shall be canceled within 10 days from the date of the acquisition under the circumstance in item (1); such shares shall be transferred or canceled within six months under the circumstances in items (2) or (4); the total shares held by the Company shall not exceed 10% of the total shares issued by the Company and such shares shall be transferred or canceled within three years under the circumstances in items (3), (5) or (6).

A listed company shall perform its information disclosure obligations in accordance with the provisions of the PRC Securities Law when acquiring its own shares. The acquisition by a listed company of its own shares in circumstances as set out in items (3), (5) and (6) of this article shall be conducted through open centralized trading.

The Company shall not accept the shares of the Company as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred legally. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in other manner specified by laws and administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and changes in such shareholdings. The shares transferable by them during each year of their term of office shall not exceed 25 percent of their total shareholdings in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights: (1) to receive a return on assets, participate in significant decision-making and select management personnel; (2) to request the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, regulations or the articles of association, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution; (3) to transfer the shares of the shareholders in accordance with the law; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights thereat; (5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise the following powers: (1) to decide on the company's operational objectives and investment plans; (2) to elect and dismiss the directors and supervisors not being representative(s) of employees and to decide on the matters relating to the remuneration of directors and supervisors; (3) to review and approve the reports of the board of directors; (4) to review and approve the reports of the board of supervisors or the reports of the supervisors; (5) to review and approve the company's annual financial budgets proposals and final accounts proposals; (6) to review and approve the company's profit distribution proposals and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the company's articles of association; and (11) to exercise any other authority stipulated in the articles of association.

Pursuant to the PRC Company Law and the Guidelines for the Articles of Association of Listed Companies, a shareholders' general meeting is required to be held once every year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following: (1) the number of directors is less than the number required by law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) the board deems necessary; (5) the board of supervisors so proposes; or (6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be summoned by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director recommended by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties, the board of supervisors shall summon and preside over the shareholders' general meeting in a timely manner. If the board of supervisors fails to summon and preside over the shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may summon and preside over the shareholders' general meeting on their own initiative.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days prior to the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting.

Pursuant to the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company shall have no voting right for the shares held by itself.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, in each case of which must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Pursuant to the Guidelines for the Articles of Association of Listed Companies, matters such as the purchase or sale of material assets or guarantees in excess of thirty percent of a company's latest audited total assets within one year and share incentive schemes shall be approved by special resolutions of shareholders in general meetings. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and such other matters must be approved by way of resolution of the general meeting, the board of directors shall summon a shareholders' general meeting as soon as possible to vote on such matters. A shareholder may entrust a proxy to attend the general meeting on his/her behalf. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorization. Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of director results in the number of directors being less than the number prescribed by the law.

Under the PRC Company Law, the board of directors may exercise its powers: (1) to convene shareholders' general meetings shareholders' general meetings; (2) to implement the resolutions passed by the shareholders at the shareholders' general meetings; (3) to decide on the company's operational plans and investment proposals; (4) to formulate proposal for the company's annual financial budgets and final accounts; (5) to formulate the company's profit distribution proposals and loss recovery proposals; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds; (7) to formulate proposals for the merger, division or dissolution of the company or change of corporate form; (8) to decide on the setup of the company's internal management organs; (9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations; (10) to formulate the company's basic management system; and (11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. Meanwhile, the board of directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company: (1) a person with no capacity for civil conduct or with limited capacity for civil conduct; (2) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or sabotage of the socialist economic order, or who has been deprived of his political rights due to committing of crimes, in each case where less than five years have not elapsed since the date of completion of the sentence; (3) a person who has been a former director, factory manager or manager of a company or an enterprise that

has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have not elapsed since the date of such revocation; and (5) a person who is liable for a relatively large amount of debts that are overdue.

In addition, pursuant to the Guidelines for the Articles of Association of Listed Companies, where a director of a company is a natural person who has been subject to a securities market entry prohibition measure imposed by the CSRC, he/she shall not act as a company director until the period of such measure has expired.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be dismissed by the company.

Under the PRC Company Law, the board shall have a chairman and may have vice chairmen. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing, or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing, or is not performing his/her duties, a director jointly elected by more than half of the directors shall perform his/her duties.

Board of Supervisors

The chairman of the board of supervisors shall summon and preside over board of supervisors meetings. Where the chairman of the board of supervisors is incapable of performing, or is not performing his/her duties, the vice chairman of the board of supervisors shall summon and preside overboard of supervisors meetings. Where the vice chairman of the board of supervisors is incapable of performing, or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall summon and preside over board of supervisors meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor assumes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum.

The board of supervisors may exercise the following powers: (1) to review the company's financial position; (2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings; (3) when the acts of a director or a senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts; (4) to propose the convening of extraordinary shareholders' general meetings and to summon and preside over shareholders' general meetings when the board fails to perform the duty of summoning and presiding over shareholders' general meetings under the PRC Company Law; (5) to submit proposals to the shareholders' general meetings; (6) to bring law suits against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and (7) to exercise any other authority stipulated in the articles of association.

Supervisors may present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Under the relevant requirements of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the relevant requirements of the Guidelines for the Articles of Association of Listed Companies, the manager shall report to the board of directors and exercise the following powers: (1) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors; (2) to arrange for the implementation of the company's annual operation plans and investment proposals; (3) to formulate proposals for the establishment of the company's internal management organs; (4) to formulate the fundamental management system of the company; (5) to formulate the company's specific rules and regulations; (6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company; (7) to appoint or dismiss management personnel (other than those shall be appointed or dismissed by the board of directors); and (8) to exercise any other authority granted by the board of directors. Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director. According to the PRC Company Law, senior management refers to manager, deputy manager, financial controller, secretary to the board of a listed company and other personnel stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and owe the duties of loyalty and diligence to the company. Directors, supervisors and management personnel are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property. Furthermore, directors and senior management are prohibited from: (1) misappropriating company funds; (2) depositing company funds into accounts under their own names or the names of other individuals; (3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors; (4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting; (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting; (6) accepting for their own benefit commissions from a third party for transactions conducted with the company; (7) unauthorized disclosure of confidential information of the company; and (8) other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of aforementioned shall belong to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the board of supervisors, without impeding the discharge of duties by the board of supervisors or supervisors. Where a director or senior management contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing that the board of supervisors institute litigation at the people's court.

Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at the people's court on its behalf. If the board of supervisors or the board of directors refuses to institute litigation after receiving such written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at the people's court in its own name for the company's benefit. For other parties who infringe

the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at the people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at the people's court.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, senior management personnel of a company shall faithfully perform their duties and safeguard the best interests of the company and all its shareholders. Senior management of a company shall be liable for compensation in accordance with the law if they fail to faithfully perform their duties or breach their duty of good faith and cause damage to the interests of the company and holders of public shares.

Finance and Accounting

Under the PRC Company Law, A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments under the State Council. At the end of each accounting year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with laws. The financial and accounting reports shall be prepared in accordance with laws, administrative regulations and the regulations of the financial departments under the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings must announce its financial and accounting reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached more than 50% of the PRC company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

The premium over the nominal value per share of the company on issue and other income as required by relevant governmental department to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of data.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, the company engages an accounting firm that complies with the provisions of the Securities Law to carry out audit of accounting statements, verification of net assets and other related advisory services for a period of one year, which is renewable.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by there solution of the general meeting of shareholders are

subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons: (1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (2) the shareholders have resolved at a shareholders' general meeting to dissolve the company; (3) the company shall be dissolved by reason of its merger or division; (4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for setting up a liquidation committee with designated relevant personnel to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation: (1) to sort out the company's assets and to prepare a balance sheet and an inventory of assets; (2) to notify the company's creditors or publish announcements; (3) to deal with any outstanding business related to the liquidation; (4) to pay any overdue tax together with any tax arising during the liquidation process; (5) to settle the company's claims and liabilities; (6) to handle the company's remaining assets after its debts have been paid off; and (7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days of its establishment, and publish an announcement in newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim. Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or the people's court for verification, and to the company registration authority for the cancelation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, shall be liable for making compensations to the company or its creditors. In addition, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

According to the Trial Administrative Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application

documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross-border RMB management.

Pursuant to the Notice on Arrangements for the Filing and Administration of Overseas Listing by Domestic Enterprises, domestic enterprises that have received the instrument of approval from the CSRC for the overseas public offering of shares and listing (including additional issuance) of joint stock companies may continue to promote their overseas listing during the validity period of the instrument of approval. Where the overseas issuance and listing did not complete upon expiration of the instrument of approval, filing shall be carried out as required.

Loss of Share Certificates

A shareholder may, in accordance with the procedures of public notice for assertion of claim set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) shall be invalid. After the people's court has so declared, the said shareholder may apply to the company for re-issuance of the share certificate(s).

Merger and Division

Under the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in Newspapers within 30 days. A creditor may, within 30 days from the date of reception of the notification, or within 45 days from the date of the announcement if he has not received such notification, request the company to settle any outstanding debts or provide corresponding guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the registration as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (股票發行與交易管理暫行條例) governing the application and approval procedures for public offerings of shares, issuing of and trading of shares, takeovers by listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Provisions of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The latest PRC Securities Law came into force on March 1, 2020. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies and the duties and responsibilities of the securities exchanges, securities companies, securities clearing institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises shall satisfy the relevant requirements of the State Council when it issues shares or lists shares outside the PRC directly or indirectly. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (2017 Amendment) (中華人民共和國仲裁法(2017修正)) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the involved parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is rendered invalid.

The Listing Rules require contracts between the company and each director or supervisor shall include arbitration clauses. Pursuant to such clause, whenever a dispute or claim arises from right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (1) a holder of overseas listed foreign shares and the company; (2) a holder of overseas listed foreign shares and a holder of domestic shares; or (3) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") or the Hong Kong International Arbitration Centre ("**HKIAC**"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. However, the people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement or outside the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the relevant matters for recognition and enforcement of the award.

Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") passed on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (1) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only apply to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflect the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, the awards may not be enforced.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Stock Exchange, the Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong Company Law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Incorporation of Company

Under Hong Kong company law, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on October 26, 2018 has no provision on the minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock, in which case the company should follow such provisions.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in our registered capital must be approved by or filed with our shareholders' general meeting and the relevant PRC governmental and regulatory authorities. There are no such minimum capital requirements on a Hong Kong company under Hong Kong law.

Under the PRC Securities Law, a company which is approved by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. There is no such restriction on companies incorporated in Hong Kong under Hong Kong law.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and transfer procedures of property rights must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or government authorized departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi

and subscribed for in a foreign currency other than Renminbi, may only be subscribed for, and traded by investors from Hong Kong, Macau or Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, shares in issue prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from six-month lock upon the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Guidelines for the Articles of Association of Listed Companies stipulate that a company or a subsidiary of a company (including an affiliated enterprise of a company) shall not provide any financial assistance in the form of a gift, advance, guarantee, compensation or loan to a person who purchases or proposes to purchase shares in the company.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Derivative Action by Minority Shareholders

According to Hong Kong law, as permitted by court, shareholders may initiate a derivative action on behalf of the company against directors who have any misconduct to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than

1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Guidelines for the Articles of Association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the business of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

According to the PRC Company Law, in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss to the interest of its shareholders, and where this cannot be resolved through other means, the shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company. However, the Guidelines for the Articles of Association of Listed Companies stipulate that the controlling shareholder or the actual controller of a company shall not use its related party relationship to harm the interests of the company. Those who violate the regulations and caused losses to the company shall be liable for compensation.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary shareholders meeting must be given to shareholders at least 20 days and 15 days before the meeting, respectively.

For a company incorporated in Hong Kong, the minimum period of notice is 14 days in the case of an annual general meeting. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' General Meetings

Under the Companies Ordinance, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provided. For companies with only one shareholder, the quorum must be one shareholder. The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Voting

Under the Companies Ordinance, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present at a shareholders' meeting except in cases such as proposed amendments to our articles of association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present at a shareholders' general meeting.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, matters such as the purchase or sale of material assets or guarantees in excess of thirty percent of a company's latest audited total assets within one year and share incentive schemes shall be approved by special resolutions of shareholders in general meetings.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly issued must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company's annual general meeting, not less than 21 days before such meeting. A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings, share register, counterfoil of company debentures, resolutions of board meetings, resolutions of the board of supervisors and financial and accounting reports, which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and the laws of Hong Kong, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under the laws of Hong Kong is six years, while under the PRC laws this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its shareholders under Section 237 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Guidelines for the Articles of Association of Listed Companies provide that shareholders may sue shareholders, shareholders may sue directors, supervisors, managers and other senior management of the company, and shareholders may sue the company, and the company may sue its shareholders, directors, supervisors, managers and other senior management personnel.

Statutory Reserve Fund Withdrawal

Under the PRC Company Law, when a joint stock limited company allocating the after-tax profits of the current year, the Company shall allocate (10%) ten percent of its profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the PRC Company Law, directors, supervisors and senior management shall assume the duty of loyalty and diligence.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the PRC Company Law, registered shares shall be transferred by the shareholders by endorsement or in other manners prescribed by laws and administrative regulations; after the transfer, the company shall record the name or names and domicile of the transferee in the register of shareholders. No change in the register of shareholders as stipulated in the preceding paragraph shall be registered within twenty days prior to the shareholders' meeting or within five days prior to the base date of the company's decision to distribute dividends. However, if the law provides otherwise for the registration of changes in the register of shareholders of a listed company, such provisions shall apply.

This Appendix contains a summary of the principal provisions of the Articles of Association adopted by the Company on January 12, 2023, which will become effective on the date on which the H Shares are listed on the Hong Kong Stock Exchange. The main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for potential investors.

SHARES AND REGISTERED CAPITAL

Shares of the Company shall take the form of share certificates. The shares issued by the Company shall be denominated in RMB. The par value per share is RMB1.00.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights.

Shares of the same class issued at the same time shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares for which it or he or she subscribes for.

INCREASE, DECREASE AND REPURCHASE OF SHARES

Capital Increase

The Company may, based on its business and development needs and in accordance with the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed, increase its capital in the following ways, subject to separate resolutions of the shareholders' general meeting:

1. Public offering of shares;

2. Non-public issuance of shares;

3. distributing bonus shares to its existing shareholders;

4. Conversion of capital reserve into share capital;

5. other means as is stipulated by laws, administrative regulations, or as approved by securities regulatory rules of the place where the Company's shares are listed and relevant regulatory authorities.

Capital reduction

The Company may reduce its registered capital. When the Company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall notify the creditors within 10 days from the date of making the resolution to reduce the registered capital, and make an announcement in the newspaper within 30 days. The creditor shall, within 30 days from the date of receipt of the notice, or within 45 days from the date of public announcement if it has not received the notice, have the right to require the Company to pay off its debts or provide corresponding guarantees.

The registered capital of the Company after capital reduction will not be lower than the statutory minimum.

Shares repurchase

The Company shall not buy back its shares, except in one of the following circumstances:

1. reducing the registered capital of the Company;

2. merging with another company that holds shares in the Company;

3. using shares for employee stock ownership plan or equity incentives;

4. shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to buy back their shares;

5. to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

6. where it is necessary for the Company to preserve its value and shareholders' interest.

The Company may repurchase its shares through public centralised trading or other methods recognised by laws, administrative regulations, the CSRC and the stock exchange where the Company's shares are listed.

Where the Company repurchases its shares under the circumstances set out in items 1 and 2 above, a resolution shall be passed at the general meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6 above, a resolution may be passed at a board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or as authorised by the general meeting.

Where the Company repurchases its shares under the circumstances set out in item 1 above, such shares shall be cancelled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items 2 and 4, such shares shall be transferred or cancelled within 6 months; where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within 3 years.

Where the Company purchases its own shares, it shall fulfill the obligation of information disclosure in accordance with the PRC Securities Law and the securities regulatory rules of the place where the Company's shares are listed.

Transfer of Shares

The shares of the Company may be transferred according to law. Shareholders of the Company, directors, supervisors shall comply with the PRC Company Law, the PRC Securities Law, the Listing Rules of the Beijing Stock Exchange, the Hong Kong Listing Rules, as well as the relevant provisions of the CSRC and the Stock Exchanges on transfer in the shares of listed companies.

The shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. The controlling shareholders, actual controllers and their relatives of the Company, as well as the shareholders who directly hold more than 10% of the shares before the listing or the relevant subjects who do not directly hold but can actually control more than 10% of the voting rights of the shares, and the shares held or controlled by the Company before the public offering to unspecified qualified investors, It shall not be transferred or entrusted for management within 12 months from the date of public offering and listing. Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise for restrictions on the transfer of the Company's shares, such provisions shall prevail.

The directors, supervisors and senior managers of the Company shall report to the Company the shares of the Company held by them and the changes thereof, and the shares transferred each year during the term of office shall not exceed 25% of the total shares of the Company held by them; The shares held by the Company shall not be transferred within 1 year from the date of listing of the Company's shares. The above-mentioned personnel shall not transfer the shares of the Company held by them within 6 months after their resignation. Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise on transfer restrictions, such provisions shall prevail.

If the directors, supervisors, senior managers and shareholders holding more than 5% of the shares of the Company sell their shares of the Company or other securities of equity nature within 6 months after purchase, or buy them again within 6 months after sale, the proceeds thus obtained shall belong to the Company, and the Board of Directors of the Company shall recover their proceeds. However, the securities company holds more than 5% of the shares due to the underwriting of the remaining stocks after purchase, and other circumstances prescribed by the CSRC are excluded.

The stocks or other securities with equity nature held by directors, supervisors, senior managers and natural person shareholders mentioned in the preceding paragraph include the stocks or other securities with equity nature held by their spouses, parents and children or held by using other people's accounts.

If the Board of Directors of the Company fails to comply with the provisions of this Article, the shareholder shall have the right to request the Board of Directors to comply within 30 days. If the Board of Directors of the Company fails to do so within the above-mentioned time limit, the shareholders shall have the right to bring a suit directly to the People's Court in their own name for the benefit of the Company.

If the Board of Directors of the Company fails to comply with the provisions of paragraph 1 of this Article, the responsible directors shall be jointly and severally liable according to law.

When the directors, supervisors and senior managers of the Company buy or sell the Company's securities, they shall comply with laws, regulations, the regulatory rules of the place where the Company's securities are listed and the provisions of the Articles of Association.

REGISTER OF MEMBERS

The Company establishes the shareholders' register according to the certificate provided by the securities registration authority, and the shareholders' register is sufficient evidence to prove that the shareholders hold the shares of the Company. The original register of H shares listed in Hong Kong shall be kept in Hong Kong for inspection by shareholders, provided that the Company may suspend the registration of shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. The shareholders shall enjoy rights and undertake obligations according to the types of shares they hold; Shareholders holding the same type of shares shall enjoy the same rights and undertake the same obligations.

Rights and Obligations of Shareholders

Shareholders of the Company shall enjoy the following rights:

1. to receive dividends and other distributions in proportion to the number of shares held;

2. to request, summon, preside over, attend or appoint a proxy to attend shareholders' general meetings and speak at the shareholders' general meetings in accordance with the laws, and to exercise the corresponding voting rights (except where a shareholder is required by the securities regulatory rules of the place where the Company's shares are listed to abstain from voting on a particular matter);

3. to supervise the operation of the Company, making suggestions or enquiries;

4. to transfer, give or pledge the shares held by them in accordance with the laws, administrative regulations and the Articles of Association;

5. to review the Articles of Association, the register of members (including the register of holders of H Shares), counterfoils of corporate bonds, minutes of general meetings, resolutions of the Board meetings, resolutions of the Board of Supervisors meetings and financial and accounting reports;

6. in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

7. to request the Company to buy back the shares of shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

8. other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

1. to abide by laws, administrative regulations and the Articles of Association;

2. to pay subscription monies according to the number of shares subscribed and the method of subscription;

3. not to make divestment unless in the circumstances stipulated by laws and regulations;

4. not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damage the interests of the creditors of the Company shall bear joint and several liabilities for the debts of the Company.

RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

The controlling shareholders and de facto controllers of the Company shall not use their connected relations to damage the interests of the Company. If the violation causes losses to the Company, it shall be liable for compensation.

The controlling shareholders and de facto controllers of the Company shall have fiduciary duties to wards the Company and its public shareholders. The controlling shareholder shall exercise its rights as a capital contributor in strict compliance with the laws. The controlling shareholder shall not damage the legitimate rights and interests of the Company and public shareholders by means of profit distribution, asset restructuring, external investment, fund appropriation, loan guarantee, etc., and shall not use its controlling status to damage the interests of the Company and public shareholders.

GENERAL MEETING

General Provisions of General Meetings

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

1. to decide on the Company's business policies and investment plans;

2. to elect and replace directors and supervisors who are not employee representatives and to decide on matters relating to the remuneration of directors and supervisors;

3. to consider and approve the reports of the Board;

4. to consider and approve the report of the Board of Supervisors;

5. to consider and approve the annual financial budgets and final accounts of the Company;

6. to consider and approve the Company's profit distribution plans and loss recovery plans;

7. to resolve on the increase or reduction of the registered capital of the Company;

8. to resolve on the issue of corporate bonds;

9. to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

10. amendments to the Articles of Association;

11. to resolve on the appointment and dismissal of the accounting firm of the Company;

12. to consider and approve the guarantee matters stipulated in Article 36 of the Articles of Association;

13. to decide on the following transactions (in addition to providing guarantees and providing financial assistance):

    (1) the total assets involved in the transaction (if there are both carrying amounts and assessed values, whichever is higher) account for more than 50% of the Company's total audited assets in the latest period;

    (2) the transaction amount accounts for more than 50% of the Company's audited net assets in the latest period, and exceeds 50 million yuan;

    (3) the business income related to the subject matter of the transaction (such as equity) in the most recent fiscal year accounts for more than 50% of the audited business income of the Company in the most recent fiscal year, and exceeds 50 million yuan;

    (4) the profit generated by the transaction accounts for more than 50% of the Company's audited net profit in the most recent fiscal year, and exceeds 7.5 million yuan;

    (5) the net profit related to the transaction object (such as equity) in the most recent fiscal year accounts for more than 50% of the Company's audited net profit in the most recent fiscal year, and exceeds 7.5 million yuan;

    (6) the purchase or sale of assets of the Company involves the total amount of assets or the transaction amount, which exceeds 30% of the total audited assets of the Company in the latest period within 12 consecutive months.

    If the data involved in the calculation of the above indicators is negative, its absolute value is calculated.

14. to review transactions between the Company and related parties whose transaction amount (except for providing guarantees) accounts for more than 2% of the Company's total audited assets in the latest period and exceeds 30 million yuan;

15. to consider and approve the change in use of proceeds;

16. to review and approve the formulation, modification and implementation of equity incentive plans and employee stock ownership plans;

17. to review and approve the following companies to provide external financial assistance:

    (1) the asset-liability ratio of the funded object in the latest period exceeds 70%;

(2) the amount of a single financial assistance or the cumulative amount of financial assistance provided within 12 consecutive months exceeds 10% of the Company's latest audited net assets;

(3) the CSRC, the Stock Exchange or other circumstances stipulated in the Articles of Association.

18. if the Company provides a guarantee for a related party, it shall have reasonable commercial logic, disclose it in time after the Board of Directors' deliberation and approval, and submit it to the general meeting of shareholders for deliberation;

19. to review and approve major transactions and related transactions that are subject to approval by the general meeting of shareholders in accordance with laws and regulations, regulatory rules for listing shares of the Company and the Articles of Association of the Company;

20. to consider other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association to be decided by the general meeting.

Transactions mentioned in this article refer to the purchase or sale of assets (excluding the purchase of raw materials, fuel and power, and the sale of products or commodities and other transactions related to daily operations), overseas investment (including entrusted financing, investment in subsidiaries, etc., except the establishment or increase of wholly-owned subsidiaries and the purchase of bank financial products), providing guarantees (that is, guarantees provided by listed companies for others, including guarantees for controlling subsidiaries), providing financial assistance, leasing or leasing assets, entering into management contracts (including entrusted operation, entrusted operation, etc.), giving or receiving assets, creditor's rights or debt restructuring, transfer of research and development projects, entering into licensing agreements, waiver of rights and other transactions identified by the CSRC and Stock Exchanges.

Transactions in which the Company obtains benefits unilaterally, including the gift of cash assets, the acquisition of debt relief, the acceptance of guarantees and grants, etc., may be exempted from the review procedure of the general meeting of shareholders.

Transactions between the Company and its holding subsidiaries within the scope of the consolidated statements or between the above-mentioned holding subsidiaries shall be exempted from the review procedures of the shareholders' general meeting unless otherwise provided for or if they are detrimental to the legitimate rights and interests of the shareholders.

General meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year within 6 months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within 2 months from the date of occurrence of any of the following circumstances:

(1) the number of directors is less than the number stipulated in the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

(3) when shareholders individually or jointly holding 10% or more of the Company's shares so request;

(4) when deemed necessary by the Board;

(5) when proposed by the Board of Supervisors;

(6) other circumstances stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

If the Company cannot hold the general meeting of shareholders within 2 months from the date of the occurrence of the above facts, the Company shall promptly report to the dispatched office of the CSRC and the Beijing Stock Exchange where the Company is located, explain the reasons and make an announcement.

If the extraordinary general meeting is convened in accordance with the securities regulatory rules of the place where the Company's shares are listed, the actual date of the extraordinary general meeting may be adjusted according to the approval progress of the stock exchange where the Company's shares are listed (if applicable).

Summoning of General Meetings

General meetings shall be summoned by the Board. The publication of the notice of the general meeting (including the supplemental notice) shall comply with the relevant laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

The independent Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent Directors.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any changes to the original proposal made in the notice shall be approved by the Board of Supervisors.

If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receiving the proposal, the Board shall be deemed to be unable or fail to perform the duty of convening the general meeting, and the Board of Supervisors may summon and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and such proposal shall be made in writing.

If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Board of Supervisors will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days may summon and preside over the meeting by themselves.

Proposals at General Meetings

When the Company convenes a general meeting, the Board, the Board of Supervisors and shareholders individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposal to announce the contents of the provisional proposal. For the publication of the supplementary notice of the general meeting, if there are special provisions in the securities regulatory rules of the place where the shares of the Company are listed, such provisions shall prevail, provided that such provisions are not in violation of the PRC Company Law, the PRC Securities Law, the Administrative Measures and the Guidelines for the Articles of Association of Listed Companies. If the general meeting is postponed due to the issuance of a supplementary notice of the general meeting pursuant to the securities regulatory rules of the place where the Company's shares are listed, the general meeting shall be postponed pursuant to the securities regulatory rules of the place where the Company's shares are listed.

Except as provided in the preceding paragraph or the securities regulatory rules of the place where the Company's shares are listed, the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting.

NOTICE OF GENERAL MEETING

The convener shall notify all shareholders in writing (including announcement) by way of announcement 21 days before the annual general meeting and shall notify all shareholders in writing (including announcement) 15 days before the extraordinary general meeting.

Convening of General Meetings

All shareholders registered on the record date or their proxies are entitled to attend the general meeting. They shall exercise their voting rights in accordance with the relevant laws, regulations and the Articles of Association.

Each Member shall be entitled to appoint a representative, but such representative need not be a member of the Company; If a Member is a company, he may appoint a representative to attend and vote at any general meeting of the Issuer, and if the Company has appointed a representative to attend any meeting, he shall be deemed to be present in person.

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

A legal shareholder shall be represented at the meeting by its legal representative or an agent entrusted by the legal representative. If the legal representative attends the meeting, he/she shall present his/her identity card and a valid certificate to prove that he/she has the qualification of legal representative; If an agent is appointed to attend the meeting, the agent shall present his ID card and a written power of attorney issued by the legal representative of the legal shareholder unit in accordance with law.

The proxy form shall contain a statement that in the absence of instructions from the shareholder the proxy may vote as he/she thinks fit.

If the proxy form is signed by a person authorised by the principal, the power of attorney or other authorization documents shall be notarized. The instrument appointing a proxy, the notarized power of attorney or other authorization documents shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or such person as is authorised by resolution of its Board of Directors or other governing body to act as its representative may attend the general meeting of the Company and exercise the shareholder's rights.

Resolutions of General Meetings

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting. A special resolution shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

1. work reports of the Board and the Board of Supervisors;

2. profit distribution plans and loss recovery plans formulated by the Board;

3. appointment and removal of members of the Board and the Board of Supervisors, their remuneration and method of payment;

4. annual budget and final accounts of the Company;

5. annual reports of the Company;

6. matters other than those required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

1. increase or reduction of the registered capital of the Company;

2. division, division, merger, dissolution and liquidation of the Company;

3. amendments to the Articles of Association;

4. purchase or disposal of material assets or provision of guarantee by the Company within 12 consecutive months with an amount exceeding 30% of the latest audited total assets of the Company;

5. share incentive scheme;

6. other matters stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, the Rules of Procedure of the General Meeting, and other matters considered by the general meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the shareholders' general meeting, and may be removed by the shareholders' general meeting before the expiry of their terms of office. The term of office of the Directors shall be 3 years, and they may be re-elected and re-appointed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until anew director is elected.

A Director is not required to hold any share in our Company by way of qualification.

The Board

The Company shall have a board of directors which shall be accountable to the general meeting. The Board of Directors is composed of 9 directors, including 3 independent directors, and the members of the Board of Directors are elected by the general meeting of shareholders in accordance with law.

The Board shall exercise the following powers:

1. to summon general meetings and report its work to the general meetings;

2. to implement the resolutions of the general meeting;

3. to decide on the Company's business plans and investment plans;

4. to formulate the Company's annual financial budgets and final accounts;

5. to formulate the Company's profit distribution plans and loss recovery plans;

6. to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and listing plans;

7. to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution and change of corporate form of the Company;

8. to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions, external donations and other matters within the scope authorised by the general meeting;

9. to decide on the establishment of the Company's internal management structure;

10. to appoint or dismiss the Manager (chief executive officer, hereinafter referred to as a "**CEO**") and Secretary of the Board of Directors upon nomination by the Chairman of the Board; to appoint or dismiss Chief Scientific Officer, Chief Financial Officer, Chief Operating Officer and other senior management personnel of the Company according to the nomination of the Manager (CEO), and decide on their remuneration, rewards and punishments;

11. to formulate the basic management system of the Company;

12. to formulate proposals for any amendment to the Articles of Association;

13. to propose to the general meeting the appointment or replacement of the accounting firm that audits the Company;

14. to listen to the work report of the Manager (CEO) of the Company and inspect the work of the Manager (CEO);

15. to manage the Company's information disclosure;

16. to decide on the following transactions (in addition to providing guarantees and providing financial assistance), which reach the authority of the shareholders' meeting shall be submitted to the shareholders' meeting for deliberation and decision:

    (1) the total assets involved in the transaction (if there are both carrying amounts and assessed values, whichever is higher) account for more than 10% of the Company's total audited assets in the latest period;

    (2) the transaction amount accounts for more than 10% of the Company's audited net assets in the latest period, and exceeds 10 million yuan;

    (3) the business income related to the transaction object (such as equity) in the most recent fiscal year accounts for more than 10% of the Company's audited business income in the most recent fiscal year, and exceeds 10 million yuan;

    (4) the profit generated by the transaction accounts for more than 10% of the Company's audited net profit in the most recent fiscal year, and exceeds 1.5 million yuan;

    (5) the net profit related to the subject matter of the transaction (such as equity) in the most recent fiscal year accounts for more than 10% of the audited net profit of the Company in the most recent fiscal year, and exceeds 1.5 million yuan.

    If the data involved in the calculation of the above indicators is negative, its absolute value is calculated.

17. It is decided that the following related transactions (except for providing guarantees) shall be submitted to the shareholders' meeting for deliberation and decision if they reach the authority of the shareholders' meeting:

    (1) Related transactions between the Company and affiliated natural persons with a transaction amount of more than 300,000 yuan;

    (2) Transactions with related legal persons whose transaction amount accounts for more than 0.2% of the Company's total audited assets in the latest period, and exceeds 3 million yuan;

(3) non-exempt connected transactions with related persons as defined by the Stock Exchange;

Before the transaction is submitted to the Board of Directors for consideration, it shall be reviewed by the independent directors at a special meeting and shall be disclosed in the related party transaction announcement with the consent of more than half of all the independent directors of the Company.

18. Other external guarantee matters other than the external guarantee provided for in Article 40 of the Articles of Association that must be submitted to the shareholders' meeting for deliberation and approval;

19. Other foreign financial assistance matters other than those provided for in Article 39 of the Articles of Association that must be submitted to the general meeting of shareholders for deliberation and approval;

20. other functions and powers conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Matters beyond the scope of authorization of the general meeting shall be submitted to the general meeting for consideration.

THE CHAIRMAN OF THE BOARD

The chairman of the board shall exercise the following functions and powers:

1. To preside at shareholders' general meeting and to convene and preside at meetings of the board of directors;

2. To supervise, monitor the implementation of resolutions of the board of directors;

3. Unless otherwise provided in the regulations and the securities regulatory rules of the place(s) where the Company's shares are listed, the Board of the Company shall authorize the Chairman to review and approve the following transactions within the authority of the Board:

   (1) the total value of assets involved in the transaction (book value or appraised value, whichever is higher) accounts for less than 10% of the most recently audited total assets of the Company;

   (2) the consideration of the transaction accounts for less than 10% of the mostly audited net assets of the Company, with the absolute amount being less than RMB10 million, and the power is not vested in the Board and Shareholders' meeting;

(3) the revenue derived from the subject matter of the transaction (such as equity interest) in the most recent fiscal year accounts for less than of the audited revenue of the Company in the most recent fiscal year, with the absolute amount being less than RMB10 million, and the power is not vested in the Board and Shareholders' meeting;

(4) the profit derived from the transaction accounts for less than 10% of the audited net profit of the most recent fiscal year of the Company, with the absolute amount being less than RMB1.5 million, and the power is not vested in the Board and Shareholders' meeting;

(5) the net profit derived from the subject matter of the transaction (such as equity interest) in the most recent fiscal year accounts for less than 10% of the audited net profit of the listed Company in the most recent fiscal year, with the absolute amount being less than RMB1.5 million, and the power is not vested in the Board and Shareholders' meeting;

(6) Related party transactions between the Company and related natural persons involves the amount less than RMB300,000 and the power is not vested in the Board and Shareholders' meeting (other than corporate guarantee); or transactions between the Company and related legal persons involves the amount less than RMB3 million and related party transactions representing less than 0.2% of the Company's latest audited absolute value of net asset;

(7) Financing matters in which individual borrowing amount of the company or accumulated amounts of borrowings within a fiscal year shall not exceed 10% of the audited net assets of the Company in the most recent fiscal year.

4. Other powers delegated by the Board.

THE MANAGER (CEO)

The Manager (CEO) is accountable to the Board of Directors and exercises the following powers:

(1) responsible for organizing the formulation of the Company's development strategy, planning, business plans and major investment proposals, and reporting to the Board of Directors;

(2) to organize the implementation of the resolutions of the Board of Directors and report to the Board of Directors;

(3) to organize the implementation of the Company's annual business plan, budget plan and investment plan;

(4) to formulate plans for the establishment of the Company's internal management organization;

(5) to formulate the basic management system of the Company;

(6) to be responsible for the nomination, management and assessment of senior managers appointed or dismissed by the Board of Directors;

(7) to appoint or dismiss managers other than those to be appointed or dismissed by the Board;

(8) responsible for submitting annual work reports and other reports to the Board of Directors;

(9) other powers conferred by the Articles of Association and the Board of Directors.

The Manager (CEO) is present at the Board meeting.

SECRETARY TO THE BOARD

The Company shall have a secretary to the Board, who serves as the person in charge of information disclosure affairs, and is responsible for information disclosure affairs, the preparation of the general meeting of shareholders and the meeting of the Board of Directors, investor relations management, shareholder information management and other work. The person in charge of information disclosure affairs shall attend the Board of Directors and the general meeting of shareholders of the Company without voting rights.

BOARD OF SUPERVISORS

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of 3 Supervisors and shall have 1 chairman. The chairman of the Board of Supervisors shall be elected by more than half of all Supervisors.

The Board of supervisors shall comprise shareholder representatives and an appropriate proportion of the Company's staff representatives, of which the proportion of staff representatives shall not be less than one-third. The employee representatives of the Board of Supervisors shall be democratically elected by the Company's employees at the employee representative assembly, employee meeting or otherwise.

The Board of Supervisors exercises the following powers:

1. it shall review the regular reports of the Company prepared by the Board and to provide written review opinions;

2. to examine the financial affairs of the Company;

3. to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meetings;

4. to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

5. to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the PRC Company Law;

6. to submit proposals to the general meeting;

7. to initiate proceedings against directors and senior management in accordance with Article 151 of the PRC Company Law;

8. To investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company.

Resolutions of the Board of Supervisors shall be passed by more than half of the supervisors.

Borrowing powers

1. individual borrowing amount of the company or accumulated amounts of borrowings within a fiscal year not exceed 10% of the audited net assets of the Company in the most recent fiscal year shall be subject to the the Board.

2. If the above quota is exceeded, according to within the authority of the Board, the Company shall determine the quota.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities.

The Company shall submit and disclose its annual report to the CSRC and the Stock Exchanges within 4 months from the end date of each fiscal year, and submit and disclose its interim report to the dispatched offices of the CSRC and the Stock Exchanges within 2 months from the end date of the first half year of each fiscal year. Prepare and disclose quarterly reports within 1 month after the end of the first 3 months and 9 months of each fiscal year. The first quarter report shall not be disclosed earlier than the previous year's annual report.

Dissolution and Liquidation of the Company

The Company shall be dissolved for the following reasons:

1. the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

2. the shareholders' general meeting resolves to dissolve the Company;

3. dissolution is necessary due to merger or division of the Company;

4. the Company's business licence is revoked, the Company is ordered to close down or be revoked in accordance with the law;

5. Where the Company encounters serious difficulties in its operation and management and its continuous existence will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

Where the Company is dissolved pursuant to items 1, 2, 4 and 5 above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of the cause of dissolution. The liquidation committee shall be composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established within the time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in a newspaper recognised by the stock exchange where the Company's shares are listed within 60 days.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the People's Court for a declaration of insolvency in accordance with the law.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the company registration authority, apply for cancellation of the company's registration, and publish an announcement on the termination of the company.

AMENDMENTS TO THE ARTICLES

The Company shall amend the Articles of Association in any of the following circumstances:

(1) After the amendments are made to the PRC Company Law or relevant laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed;

(2) there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

(3) the shareholders' general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this document received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 November 2023 of the selected property interests of the Group.

Asia-Pacific Consulting and Appraisal Limited
Flat/Rm A, 12/F
Kiu Fu Commercial Building
300 Lockhart Road
Wan Chai
Hong Kong

[●] 2024

The Board of Directors
Beijing Health Guard Biotechnology Inc.
No. 201 & 202, Building A2
No. 7 Rongchang East Street
Beijing Economic-Technological Development Area
Beijing
PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions to value selected the property interests held by Beijing Health Guard Biotechnology Inc. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 November 2023 (the "**Valuation Date**").

The selected property interests form part of the Group's non-property activities that has a carrying amount of 15% or more of the Group's total assets and therefore the valuation report of this property interests is required to be included in this Document.

BASIS OF VALUATION

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

METHODS OF VALUATION

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

VALUATION STANDARDS

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards

published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

DOCUMENT AND TITLE INVESTIGATION

We have been shown copies of various title documents including Real Estate Title Certificate and other official permits relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Zhong Lun Law Firm, concerning the validity of the property interests in the PRC.

AREA MEASUREMENT AND INSPECTION

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in December 2023 by Ms. Jill Shang who is a member of Royal Institution of Chartered Surveyor, a Certified Public Valuer in PRC and has over 6 years' experience in property valuation in the PRC, and Ms. Alice Dong who has 18 years' experience in property valuation in the PRC.

CURRENCY

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

David G. D. Cheng
MRICS
Executive Director

Note: David G. D. Cheng is a Chartered Surveyor who has 22 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date *RMB*
1.	A parcel of land, 9 buildings, various structures and 2 buildings under construction located at No. 508 Xiangxian Road, Linkong Industrial Park, Dianzhong New Area, Kunming City, Yunnan Province, The PRC	The property comprises a parcel of land with a site area of approximately 93,341.19 sq.m. and 9 buildings and various ancillary structures erected thereon which were completed in August 2023. The 9 buildings have a total GFA of approximately 69,013.65 sq.m., include an office building and 8 industrial buildings. The structures mainly include roads and boundary walls. Apart from the completed buildings mentioned above, there are 2 buildings and various ancillary structures which were under construction (the "CIP") as at the valuation date. The CIP is scheduled to be completed in June 2024. Upon completion, the CIP will have a GFA of approximately 11,242.61 sq.m. The total construction cost of the CIP is estimated to be approximately RMB145,978,000, of which RMB68,263,000 had been paid up to the Valuation Date. The land use rights of the property have been granted for a term expiring on 29 October 2070 for industry use.	The completed portions of the property were occupied for production, office and ancillary purposes and the remaining portion of the property was under construction as at the valuation date.	111,881,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – CR 53 Konggang No. 2020010 dated 12 November 2020, the land use rights of a parcel of land with a site area of approximately 93,341.19 sq.m. were contracted to be granted to Yunnan Dianzhong Likang Industrial Development Co., Ltd (雲南滇中立康實業開發有限公司, "Yunnan Dianzhong Likang", a 100% subsidiary of the Company), for a term of 50 years for industrial use commencing from the land delivery date. The land premium was RMB35,842,560.

2. Pursuant to a Real Estate Title Certificate – Yun (2021) Guan Du Qu Bu Dong Chan Quan Di No. 0038317, the land use rights of a parcel of land with a site area of approximately 93,341.19 sq.m. have been granted to Yunnan Dianzhong Likang for a term expiring on 29 October 2070 for industry use.

3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. Yun Dianzhong New Area Konggang 202100007 in favour of Yunnan Dianzhong Likang, various buildings with a total GFA of approximately 74,953.70 sq.m. has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits – No. 530111202107010301 and 5301112021112300201 in favour of Yunnan Dianzhong Likang, permission by the relevant local authority was given to commence the construction work of various buildings with a total GFA of approximately 74,953.39 sq.m.

5. For the 9 completed buildings with a total GFA of approximately 69,013.65 sq.m., we have not been provided with any title certificates.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Yunnan Dianzhong Likang legally held the land use rights of the property and has the right to legally use, transfer or otherwise dispose of the land.

   b. Yunnan Dianzhong Likang has obtained Construction Work Planning Permit and Construction Work Commencement Permits in respect of the construction of the buildings of the property.

7. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 9 buildings of the property mentioned in notes 5 which have not been obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB383,418,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on April 14, 2008 and converted into a joint stock company on May 14, 2013. Since March 15, 2023, our A Shares have been listed on the Beijing Stock Exchange with the stock code of 833575. Our registered office is located at No. 201 & 202, Building A2, No.7 Rongchang East Street, Beijing Economic-Technological Development Area, Beijing, PRC.

We have established a principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and [has been] registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] with the Registrar of Companies in Hong Kong. Mr. CHUNG Ming Fai (鍾明輝), one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V – Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV – Summary of Principal Legal and Regulatory Provisions."

2. Changes in Share Capital of Our Company

Save as disclosed in "History, Development and Corporate Structure," there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this Document.

Upon completion of the [**REDACTED**], but without taking into account any exercise of the [**REDACTED**], our registered share capital will increase from RMB280,940,000 to RMB[**REDACTED**], comprising 280,940,000 A Shares and [**REDACTED**] H Shares fully paid up, representing approximately [**REDACTED**]% and [**REDACTED**]% of our total issued share capital, respectively.

3. Changes in Share Capital of Our Subsidiaries

Details of our subsidiaries are set out in "History, Development and Corporate Structure" and note 1 to the Accountants' Report as set out in Appendix I to this Document.

On April 14, 2023, the registered capital of Health Guard Kunming was increased from RMB300 million to RMB454.5 million.

There has been no alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this Document.

4. Shareholders' Resolutions

At the extraordinary general meeting of our Company held on January 12, 2024, among other things, the following resolutions were passed by the Shareholders:

(a) the issuance by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(b) the number of H Shares [**REDACTED**] before the exercise of the [**REDACTED**] shall no less than [**REDACTED**]% of the enlarged share capital of our Company upon completion of the [**REDACTED**];

(c) granting the [**REDACTED**] the [**REDACTED**] of no more than [**REDACTED**]% of the number of H Shares [**REDACTED**] pursuant to this resolution;

(d) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association, which shall become effective on the [**REDACTED**], and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and other relevant regulatory authorities; and

(e) authorizing the Board and its authorized persons to handle all matters relating to, among other things, the [**REDACTED**], the issue and [**REDACTED**] of the H Shares.

5. Reorganization

The Company has not gone through any corporate reorganization for the purpose of the [**REDACTED**]. For details of history and development of the Company, please refer to "History, Development and Corporate Structure."

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not the contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this Document that are or may be material:

(a) a property transaction contract dated May 16, 2023 between Health Guard Kunming Biotechnology Co., Ltd. (康樂衛士(昆明)生物技術有限公司) ("**Health Guard Kunming**") and Yunnan Dianzhong Hengsheng Investment Co., Ltd. (雲南滇中恒昇投資有限公司) ("**Dianzhong Hengsheng**"), pursuant to which, Health Guard Kunming agreed to repurchase 99% equity interest in Yunan Dianzhong Likang Industrial Development Co., Ltd. (雲南滇中立康實業開發有限公司) from Dianzhong Hengsheng; and

(b) the [**REDACTED**].

2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademarks	Category	Owner	Place of Registration	Registration No.	Registration date	Expiry Date
1	KLWS	5	the Company	PRC	59572331	March 21, 2022	March 20, 2032
2	KLWS	10	the Company	PRC	59574045	March 14, 2022	March 13, 2032
3	KLWS	42	the Company	PRC	59568771	March 14, 2022	March 13, 2032
4	KLWS	44	the Company	PRC	59573570	March 14, 2022	March 13, 2032
5	BHGB	5	the Company	PRC	59589648	March 21, 2022	March 20, 2032
6	BHGB	10	the Company	PRC	59566893	March 14, 2022	March 13, 2032
7	BHGB	35	the Company	PRC	59591977	March 14, 2022	March 13, 2032
8	BHGB	42	the Company	PRC	59582628	March 14, 2022	March 13, 2032
9	BHGB	44	the Company	PRC	59594005	March 14, 2022	March 13, 2032
10	BJHGB	5	the Company	PRC	59594381	March 21, 2022	March 20, 2032
11	BJHGB	10	the Company	PRC	59574062	March 14, 2022	March 13, 2032
12	BJHGB	35	the Company	PRC	59570881	March 14, 2022	March 13, 2032
13	BJHGB	42	the Company	PRC	59582636	March 14, 2022	March 13, 2032
14	BJHGB	44	the Company	PRC	59594013	March 14, 2022	March 13, 2032
15	康乐卫士	35	the Company	PRC	59562295	August 14, 2022	August 13, 2032
16	康乐卫士	42	the Company	PRC	59569065	March 14, 2022	March 13, 2032
17	康乐卫士	44	the Company	PRC	59589207	March 14, 2022	March 13, 2032

No.	Trademarks	Category	Owner	Place of Registration	Registration No.	Registration date	Expiry Date
18	好卫苗	5	the Company	PRC	59572273	March 28, 2022	March 27, 2032
19	CANVAX	5	the Company	PRC	60024758	January 21, 2023	January 20, 2033
20		5	the Company	PRC	60024782	April 14, 2022	April 13, 2032
21		10	the Company	PRC	60028207	April 14, 2022	April 13, 2032
22		35	the Company	PRC	60020553	April 14, 2022	April 13, 2032
23		42	the Company	PRC	60018789	April 14, 2022	April 13, 2032
24		44	the Company	PRC	60035152	April 21, 2022	April 20, 2032
25		5	the Company	PRC	60013336	April 14, 2022	April 13, 2032
26		10	the Company	PRC	60006142	April 14, 2022	April 13, 2032
27		35	the Company	PRC	60028946	June 21, 2022	June 20, 2032
28		42	the Company	PRC	60015871	April 14, 2022	April 13, 2032
29		44	the Company	PRC	60025089	April 14, 2022	April 13, 2032
30		5	the Company	PRC	60030171	April 28, 2022	April 27, 2032
31		10	the Company	PRC	60015367	April 14, 2022	April 13, 2032
32		35	the Company	PRC	60020581	June 21, 2022	June 20, 2032
33		42	the Company	PRC	60013780	April 14, 2022	April 13, 2032
34		44	the Company	PRC	60006375	April 14, 2022	April 13, 2032
35		5	the Company	PRC	11190645	November 28, 2013	November 27, 2033
36		10	the Company	PRC	11190696	November 28, 2013	November 27, 2033
37		42	the Company	PRC	11190677	November 28, 2013	November 27, 2033

No.	Trademarks	Category	Owner	Place of Registration	Registration No.	Registration date	Expiry Date
38		5	the Company	PRC	11184193	November 28, 2013	November 27, 2033
39		10	the Company	PRC	11184327	November 28, 2013	November 27, 2033
40		42	the Company	PRC	11184260	November 28, 2013	November 27, 2033
41	HEALTH GUARD	42	the Company	PRC	11184292	November 28, 2013	November 27, 2033
42	康乐卫士	42	the Company	PRC	11184280	November 28, 2013	November 27, 2033
43	康卫沃	5	the Company	PRC	70100269	September 7, 2023	September 6, 2033
44	康卫斯	5	the Company	PRC	70108926	November 14, 2023	November 13, 2033
45	慷维喜	5	the Company	PRC	70116658	September 7, 2023	September 6, 2033
46	嫝唯惜	5	the Company	PRC	70108143	September 7, 2023	September 6, 2033
47	康威能	5	the Company	PRC	70108942	September 7, 2023	September 6, 2033
48	康卫馨	5	the Company	PRC	70108948	September 7, 2023	September 6, 2033
49	康乐泽	5	the Company	PRC	70112979	November 14, 2023	November 13, 2033
50	康薇辛	5	the Company	PRC	70095636	September 7, 2023	September 6, 2033
51	康卫乐欣	5	the Company	PRC	70092489	September 7, 2023	September 6, 2033
52	康威乐斯	5	the Company	PRC	70116697	September 7, 2023	September 6, 2033

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Category	Place of Application	Application Number	Applicant	Application Date
1.		5	Hong Kong	306369959	the Company	October 11, 2023

No.	Trademark	Category	Place of Application	Application Number	Applicant	Application Date
2.		5	Hong Kong	306369959	the Company	October 11, 2023
3.		5	Hong Kong	306369968	the Company	October 11, 2023
4.		5	Hong Kong	306369968	the Company	October 11, 2023

(b) Patents

For material patents and patent applications we owned or licensed from other entities as of the Latest Practicable Date, see the section headed "Business – Intellectual Property" for details.

(c) Copyright

As of the Latest Practicable Date, we owned the following copyrights which we consider to be or may be material to our business:

No.	Subject	Registered Owner	Registration Number	Registration Date	Expiry Date
1.	HPV Experimental Process Optimization Control Management System V1.0 (HPV實驗過程優化控製管理系統V1.0)	the Company	2014SR101052	July 18, 2014	December 31, 2063
2.	HPV Purification Process Optimization and Control Management System V1.0 (HPV純化過程優化控製管理系統V1.0)	the Company	2014SR101051	July 18, 2014	December 31, 2063
3.	HPV Vaccine Project R&D Management Information Platform V1.0 (HPV疫苗項目研發管理信息化平臺V1.0)	the Company	2011SR030179	May 20, 2011	December 31, 2061
4.	Road and Bridge Engineering Measurement Management System V1.0 (道路橋梁工程測量管理系統V1.0)	Health Guard Kunming	2023SR0822522	July 7, 2023	/

No.	Subject	Registered Owner	Registration Number	Registration Date	Expiry Date
5.	Dispatch Operation Analysis Software Based on Distribution Network Automation Technology V1.0 (基於配網自動化技術的調度運行分析軟件V1.0)	Health Guard Kunming	2023SR0822524	July 7, 2023	/
6.	Wafer Laminator Automation Control System V1.0 (晶圓貼膜機自動化控製系統V1.0)	Health Guard Kunming	2023SR0822521	July 7, 2023	/
7.	Quality Control Laboratory Sample Management System V1.0 (質量控製實驗室樣品管理系統V1.0)	Health Guard Kunming	2023SR0822523	July 7, 2023	/

(d) Domain Names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain names	Registered owner	Expiry date
1.	bj-klws.com	the Company	March 27, 2027
2.	klws.wang	the Company	September 26, 2024
3.	bhgb.cn	the Company	September 23, 2032
4.	klws.cn	the Company	September 23, 2032
5.	klws.com	the Company	August 18, 2032
6.	kmklws.com	Health Guard Kunming	August 17, 2029

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which the Company considers to be or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors and Supervisors

(i) Disclosure of Interests – Interests and short positions of the Directors and the chief executive in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying Shares and debentures of our Company and its associated corporations,

within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she has taken or is deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Long position in the Shares:

Name	**Position**	**Nature of interest**	**Number and description of Shares**	**Approximate percentage of interest in our Company as of the Latest Practicable Date**	**Approximate percentage of interest in our Company after the [REDACTED] (assuming that the [REDACTED] is not exercised)**
Mr. LIU Yongjiang (劉永江) ("**Mr. Liu**")	Executive Director, chairman of the Board and chief scientific officer	Beneficial owner	2,091,000 A Shares[(2)]	0.74%	[**REDACTED**]%
		Interest in controlled corporation[(1)]	22,200,000 A Shares	7.90%	[**REDACTED**]%
Mr. HAO Chunli (郝春利) ("**Mr. Hao**")	Executive Director, vice chairman of the Board and chief operating officer	Beneficial owner	3,251,441 A Shares[(3)]	1.16%	[**REDACTED**]%
Mr. TAO Tao (陶濤)[(4)]	Non-executive Director	Interested in controlled corporations[(4)]	62,944,000 A Shares	22.40%	[**REDACTED**]%
		Interest of a person acting in concert[(4)]	23,033,320 A Shares	8.20%	[**REDACTED**]%

Notes:

(1) As of the Latest Practicable Date, Jianglin Weihua was owned as to approximately 35.49% by Mr. Liu. Mr. Liu is deemed to be interested in Shares held by Jianglin Weihua under the SFO.

(2) Including 2,000,000 A Shares underlying the restricted Shares granted to Mr. Liu under the Restricted Shares Incentive Plan and 91,000 A Shares obtained through public market.

(3) Including 3,180,000 A Shares underlying the restricted Shares granted to Mr. Hao under the Restricted Shares Incentive Plan and 71,441 A Shares obtained through public market.

(4) For details, please refer to the section headed "Substantial Shareholders."

As of the Latest Practicable Date, save as aforesaid, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of our associated corporations.

(ii) Particulars of service agreements

Our Company [has entered into] a service agreement or an appointment letter with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

The principal particulars of these service agreements are: (a) each of the agreements or the appointment letters is for a term of three years following his/her respective appointment date; and (b) each of the agreements or the appointment letters is subject to termination in accordance with their respective terms. The service agreements and appointment letters may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts or appointment letters with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(iii) Directors' and Supervisors' remuneration

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and note 8 to the Accountants' Report as set out in Appendix I to this Document, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of the year ended December 31, 2022 and the nine months ended September 30, 2023.

2. Substantial Shareholders

For information on the persons who will, immediately following the completion of the [**REDACTED**], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders."

3. Disclaimers

Save as disclosed in this Document:

(i) none of our Directors, Supervisors or any of the parties listed in "– E. Other Information – 7. Qualification of Experts" is:

(a) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(b) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business;

(ii) save in connection with the [**REDACTED**] and the [**REDACTED**], none of the parties listed in "– E. Other Information – 7. Qualification of Experts":

(a) is interested legally or beneficially in any shares in any member of our Group; or

(b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(iii) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(iv) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [**REDACTED**] on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. RESTRICTED SHARE INCENTIVE PLAN

The following is a summary of the principal terms of the Restricted Share Incentive Plan approved and adopted by our general meeting of the Company on September 10, 2019. The Restricted Share Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as our Company will not grant Shares under the Restricted Share Incentive Plan after the [**REDACTED**]. As all Shares underlying the Restricted Share Incentive Plan have been allotted and issued to the eligible Grantees, no dilutive effects exist under the Restricted Share Incentive Plan after the [**REDACTED**].

a. Purpose of the Restricted Share Incentive Plan

The purpose of the Restricted Share Incentive Plan is to recognize and reward the Group's directors, supervisors, senior management and core employees for their contribution to the Group, and to incentivize them to generate shareholder value, to enable them to participate in the growth of the Company, and to align their interests with the interests of Shareholders and the Company.

b. Administration

The general meeting of the Company, as the highest authority of the Company, is responsible for considering and approving the implementation, amendment and termination of the Restricted Share Incentive Plan.

The Restricted Share Incentive Plan is formulated and implemented by the Board. The Board has discretion to amend, manage and deal with matters relating to the Restricted Share Incentive Plan subject to the terms of the Restricted Share Incentive Plan and authorization by the general meeting of the Company.

c. Grantees

The grantees under the Restricted Share Incentive Plan (the "**Grantees**") include directors, senior management and core employees of the Group, each of whom shall be full-time employees of the Group.

d. Source and Number of Shares under the Restricted Share Incentive Plan

The maximum number of restricted Shares under the Restricted Share Incentive Plan (the "**Restricted Shares**") is 6,000,000. As of the Latest Practicable Date, no Shares was available for issuance under the Restricted Share Incentive Plan as all Shares underlying the Restricted Share Incentive Plan were allotted and issued to the eligible Grantees. In September 2019, the Company issued a total of 6,000,000 Restricted Shares to 26 Grantees, accounting for 7.89% of the Company's total Shares in issue immediately after the subscription of Shares under the Restricted Share Incentive Plan. All 26 Grantees subscribed for the Restricted Shares at the par value of RMB1 per Share, which were all paid in cash.

e. Terms of the Restricted Share Incentive Plan

The Restricted Share Incentive Plan will be valid and effective for a period commencing from the grant date to the date when the Lock-up Period (as defined below) expires or the Restricted Shares are repurchased by the Company.

f. The Grant of the Restricted Share Incentive Plan

(i) The Grant Price

The grant price of the Restricted Shares is RMB1.00 per Share, which was determined with reference to industry practice and the Company's net assets per Share. The Grantees are entitled to purchase the newly issued Shares (with restriction to transfer) at the grant price upon the satisfaction of the granting conditions.

(ii) The Grant Date

All Restricted Shares were granted on when all Restricted Share Incentive Plan was filed with the NEEQ and registered with China Securities Depository & Clearing Co Ltd.

(iii) The Grant Conditions

The Restricted Shares shall be granted upon satisfaction of certain customary granting conditions, including, among others, (a) the Company's accountant did not issue an audit report with a negative opinion and was able to express an opinion for the most recent fiscal year; (b) the Grantee has not been subject to administrative sanctions by the CSRC due to major violations of laws and regulations in recent three years, held criminally liable or convicted as a judgment defaulter.

g. The Lock-up Period and Unlocking Arrangements

(i) Lock-up Periods

The Restricted Shares are subject to different lock-up periods (the "**Lock-up Period**"), starting from the grant date, details of which are set out as follows:

Tranche	Date of Unlocking	Percentage of Restricted Shares Unlocked
first tranche	the first trading day after three years from the date of grant	40%
second tranche	the first trading day after four years from the date of grant	40%
third tranche	the first trading day after five years from the date of grant	20%

In addition to the Lock-up Period, the Restricted Shares are subject to an additional one-year lock-up period for the purpose of tax benefits. The Restricted Shares shall not be transferred, pledged or used to repay debts during the Lock-up Period. During the Lock-up

Period, bonus shares, capitalization of capital reserves and allotment of Shares acquired by the Grantee as a result of the Restricted Shares granted to them are simultaneously subject to the Lock-up Period (not applicable in an event of cash dividends) and may not be sold or otherwise transferred.

(ii) Vesting Conditions

The vesting periods of the Restricted Shares shall be trading day when certain vesting conditions are met, including, among others, (a) the Company's accountant did not issue an audit report with a negative opinion and was able to express an opinion for the most recent fiscal year; (b) the Grantee has not been subject to administrative sanctions by the CSRC due to major violations of laws and regulations in recent three years, or held criminally liable.

The Restricted Shares which have not been vested as a result of failure to fulfil the vesting conditions will continue to be subject to restrictions and be deferred to the date when the vesting conditions are satisfied. If the Board ultimately determines that the vesting conditions are not satisfied, the Company may repurchase the Restricted Shares in accordance with the provisions of the Restricted Share Incentive Plan.

h. Adjustment of the Number of the Restricted Shares

The number of the Restricted Shares shall be subject to specific adjustment mechanism in the event of conversion of capital reserves into share capital, dividends distribution or share splits, share allotment and reduction in share capital.

i. Lapse of Restricted Shares

The Board has the right to decide that the locked Restricted Shares held by a Grantee shall not be unlocked or vested and shall be repurchased and canceled by the Company. The Board may decide not to unlock or vest the Restricted Shares when certain circumstances occur, including, among others, (a) the Company's accountant issued an audit report with a negative opinion or was unable to express an opinion for the most recent fiscal year; (b) the Company is subject to administrative sanctions by the CSRC due to major violations of laws and regulations within the most recent year; (c) the Grantee ceased to be employed by the Company due to certain reasons not attributed to his/her personal fault; or (d) the Grantee was subject to administrative sanctions, fined or investigated by the CSRC due to major violations of laws and regulations, held criminally liable, caused losses to the Company due to personal fault, or resigns from the Company without the Company's prior consent.

The Company may repurchase all relevant Restricted Shares at the grant price plus interests calculated at an annualized interest rate as stipulated under the Restricted Share Incentive Plan. The Company shall decide whether to exercise its repurchase right within six months from the date of occurrence of the abovementioned events or the determination date of the abovementioned events by the Board.

As of the Latest Practicable Date, a total of 260,000 Restricted Shares lapsed Such Restricted Shares were granted to but not yet vested by two former employees who resigned from the Group due to personal reasons. The Company completed the repurchase and cancellation of such Shares on July 26, 2023. The price of the repurchase was RMB0.56 per Share, which was determined based on the subscription price and adjusted as per the adjustment mechanisms under the Restricted Share Incentive Plan in the event of bonus shares distributed in May 2023.

The Restricted Share Incentive Plan shall not be affected even if a change in control takes place without triggering a reorganization of major assets, or a merger or spin-off takes place without affecting the Company's status as a going concern.

j. Repurchase Price of the Restricted Shares

The repurchase price of the Restricted Shares shall be the granting price, subject to the specific adjustment mechanisms upon the occurrence of conversion of capital reserves into share capital, dividends distribution or share splits, share allotment, and reduction in share capital.

k. The Grantees

As of Latest Practicable Date, there were 24 grantees in total who were granted the Restricted Shares under the Restricted Share Incentive Plan, including two Directors, five senior management members who are not Directors, and 17 employees. The details of the Restricted Shares to the Grantees are as follows:

Name of the Grantee	Position	Address	Subscription Price *(RMB per Share)*	Number of Restricted Shares Granted[(2)]	Date of Grant	Unlocking Period[(1)]	Underlying A Shares of Granted Restricted Shares immediately after completion of the [REDACTED][(3)]
LIU Yongjiang (劉永江)	Executive Director, chairman of the Board and chief scientific officer	No.7 Courtyard Sihai Road Beijing Economic-Technological Development Area Beijing, PRC	1.00	2,000,000	November 4, 2019	5 years	[**REDACTED**]%

Name of the Grantee	Position	Address	Subscription Price *(RMB per Share)*	Number of Restricted Shares Granted[(2)]	Date of Grant	Unlocking Period[(1)]	Underlying A Shares of Granted Restricted Shares immediately after completion of the [REDACTED][(3)]
HAO Chunli (郝春利)	Executive Director, vice chairman of the Board and chief operating officer	No.4 Courtyard, Sihai Road Beijing Economic-Technological Development Area Beijing, PRC	1.00	3,180,000	November 4, 2019	5 years	[**REDACTED**]%
Other 22 Grantees[(1)]	Senior management and employees	–	1.00	6,560,000	November 4, 2019	5 years	[**REDACTED**]%

Notes:

(1) Representing the number of Restricted Shares held by the Grantee after the issuance of bonus Share in May 2023. In May 2023, the Company implemented a share increase by converting capital reserve into new Shares. The conversion of capital reserve was implemented by way of issuance of ten bonus Shares for every ten existing Shares. Please refer to "History, Development and Corporate Structure – Major Changes in Share Capital and Shareholdings – 12. Subsequent capital changes in 2023" for further details.

(2) Assuming that the [**REDACTED**] is not exercised.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. Joint Sponsors

The Joint Sponsors has made an application on behalf of our Company to [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares [**REDACTED**] pursuant to the [**REDACTED**] (including the additional H Shares which [**REDACTED**] pursuant to the exercise of the [**REDACTED**]). All necessary arrangements have been made to enable our H Shares to be admitted into [**REDACTED**]. The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will be paid by our Company a fee of US$400,000 to act as a sponsor to our Company in connection with the [**REDACTED**].

4. Compliance Advisor

Our Company has appointed SPDB International Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Taxation of holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this Document:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualification
CCB International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Zhong Lun Law Firm	Legal advisers as to PRC law
Frost & Sullivan	Independent industry consultant
Ernst & Young	Certified Public Accountants
Asia-Pacific Consulting and Appraisal Limited	Independent property valuer

8. Consent of Experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

9. Promoters

Information of our promoters as of the time of our Company's conversion into a joint stock company in May 2013 is as follows:

No.	Name
1.	XJ Biotechnology
2.	Jianglin Weihua
3.	SCGC

Save as disclosed in this Document, within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoters named above in connection with the [**REDACTED**] and the related transactions described in this Document.

10. Bilingual Document

The English language and Chinese language versions of this Document are being published separately in reliance on the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding Effect

This Document shall have the effect, if an application is made in pursuance of this Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

12. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this Document as mentioned in note 30 to the Accountants' Report as set out in Appendix I to this Document.

13. Agency Fees or Commissions Received

Save as disclosed in the section headed "[**REDACTED**]" in this Document and save for the underwriting commissions paid to the underwriters in relation to the A Share Offering as disclosed in the section headed "History, Development and Corporate Structure – Major Changes in Share Capital and Shareholdings" in this Document, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries within the two years immediately preceding the date of this Document.

Save for the commission of RMB19.03 million paid to the underwriters in relation to the issuance of the public offering of 7,000,000 A Shares in March 2023 as disclosed in the section headed "History, Development and Corporate Structure – Major Changes in Share Capital and Shareholdings" in this Document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company within the two years immediately preceding the date of this Document.

14. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2022 (the date as of which the latest audited consolidated financial statements of our Group were prepared).

15. Miscellaneous

Save as disclosed in this Document:

(a) within the two years immediately preceding the date of this Document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) there are no founder, management or deferred shares of our Company or any of our subsidiaries;

(d) there is no arrangement under which future dividends are waived or agreed to be waived;

(e) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this Document;

(f) our Company has no outstanding convertible debt securities or debentures;

(g) our Company currently does not intend to apply for the status of a Sino-foreign investment joint stock limited company and does not expect to be subject to the Sino-Foreign Joint Venture Law of the PRC;

(h) save for our A Shares which are listed on Beijing Stock Exchange, and the H Shares [**REDACTED**] in connection with the [**REDACTED**], none of our equity and debt securities is presently listed on any stock exchange or traded on any trading system and no such listing or permission to list is being or is proposed to be sought;

(i) all necessary arrangements have been made to enable the H shares to be admitted into [**REDACTED**] for [**REDACTED**] and [**REDACTED**]; and

(j) there are no contracts for hire or hire purchase of plan to or by us for a period of over one year which are substantial in relation to our business.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix VII – Statutory and General Information – E. Other Information – 8. Consent of Experts;" and

(b) a copy of each of the material contracts referred to in "Appendix VII – Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts."

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at [**www.klws.com**] during a period of 14 days from the date of this Document (both days inclusive):

(a) the Articles of Association of our Company;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Document;

(c) the audited financial statements of the companies comprising our Group for the year ended December 31, 2022 and nine months ended September 30, 2023;

(d) the report on unaudited [**REDACTED**] financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisor, in respect of certain aspects of our Company;

(f) the industry report prepared by Frost & Sullivan;

(g) the summary of valuations and valuation report relating to certain property interests of our Group prepared by Asia-Pacific Consulting and Appraisal Limited, the texts of which are set out in Appendix VI to this Document;

(h) a copy of each of the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) together with their unofficial English translations;

(i) the material contracts referred to in "Appendix VII – Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts";

(j) the written consents referred to in "Appendix VII – Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 8. Consent of Experts;" and

(k) the service contracts or letters of appointment referred to in "Appendix VII – Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Directors and Supervisors – (ii) Particulars of service agreements."